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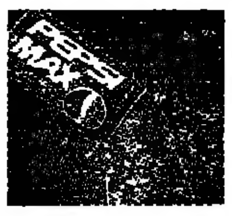

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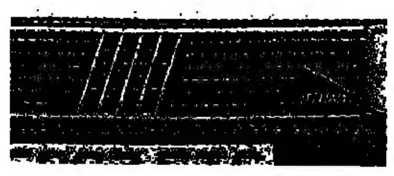

Italian corruption
How Fiat hopes to limit the damage
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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY MARCH 4 1993 D8523A

Strike at Ford UK plant after leak of job losses plan

Leaked internal documents from Ford Motor Company revealing plans to close most of its general services business led to a walkout at its plant in Dagenham, south-east England.

Ford intends to contract out most of its general services business in a move affecting 3,000 jobs in its British and German plants by the end of the year, in spite of the risk of industrial conflict. **Mazda and Ford end venture talks, Page 15; Pressure on component suppliers, Page 16; Fiat bruised at crucial time, Page 3**

Italian contracts face scrutiny: Roadbuilding contracts throughout Italy were drawn into corruption investigations, leading to the arrest of businessmen, officials of Anas, the state roads authority, and Gerardo Pelosi, director-general at the ministry of public works. Page 14

Yeltsin urged on Russian 'deadlock': The top command of the Russian army has urged President Boris Yeltsin to take "resolute measures" to end the political deadlock in Russia, according to the daily Izvestia. Page 2; **Russians leave US without grain debt deal, Page 30**

Virgin chief will not stay silent: Richard Branson is refusing demands by British Airways for silence on its "dirty tricks" campaign against his Virgin Atlantic Airways as part of a settlement on their dispute. Page 7; **Taiwan and UK to establish air links, Page 4**

Rühe wants brake on EFA: German defence minister Volker Rühe called for more drastic measures to slow down the development programme of the European Fighter Aircraft. Page 2

Kraft General Foods International, part of Philip Morris, US tobacco and foods group, is to buy Terry's, United Biscuits' chocolates division, for £220m ($312m) in cash. Page 15; Lex, Page 14

Perot attacks 'poets and philosophers'

Ross Perot, independent runner for last year's presidential election, invited himself to Capitol Hill where he proceeded to accuse the Clinton administration of incompetent mathematics and *"sound bite" salesmanship*. The president's energy policy advisers were a bunch of "poets, philosophers and beekeepers", none of whom had created a job in all of their working lives, he said. Page 4; **Gore to hunt down waste and fraud, Page 4**

EC court rules on jobs case: Promotions sought by two European Commission civil servants – a German and a Dutchman – had been improperly reserved for a Spaniard and an Italian, the European Community Court of First Instance ruled.

Woolworth, the general merchandise and speciality store retailer, reported after-tax profits of $280m in the 53 weeks to January 30 – well up on the previous year's $166m loss. Page 17

CRA, the Australian mining house, reported a 9.6 per cent rise in equity-accounted net earnings to A$411.4m (US$293.8m) in 1992 from A$375.4m in 1991, against the tide of falling commodity prices. Page 19

SA warning on talks: Black political groups said a massacre in South Africa's Natal province in which six schoolchildren died was a deliberate attempt to jeopardise democracy talks.

Court martial threat: Two US marines may face court martial for using excessive force against Somalis, a US military spokesman said.

Anger at US dumping ruling: The US decision to impose punitive duties of nearly 63 per cent on Japanese-made liquid crystal displays has angered Japanese industry and US computer manufacturers. Page 6

Brazil secures Amazon aid: said it had completed negotiations for $270m in aid from the world's richest industrialised countries to conserve the Amazon rainforest.

Hyperspace: Nasa will launch a rocket in May carrying Arnold Schwarzenegger's name in the first sale of high-flying advertising. The blast-off will promote his latest film, *Last Action Hero*. Page 14

Polio pioneer dies: Dr Albert Sabin, developer of the oral polio vaccine, died in a Washington hospital, aged 86.

STOCK MARKET INDICES

FT-SE 100:	2918.6	(+36.3)
Yield	4.15	
FT-SE Eurotrack 100	1158.89	(+2.28)
FT-A All-Share	1419.72	(+1.2%)
Nikkei	16,853.92	(−10.33)
New York lunchtime		
Dow Jones Ind Ave	3486.76	(+6.22)
S&P Composite	449.82	(+1.12)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.893%
Long Bond	104
Yield	6.791%

LONDON MONEY

3-mo Interbank	6⅛%	(6¼%)
Liffe long gilt future:	Mar 105⅝	(Mar 105¾)

NORTH SEA OIL (Argus)

Brent 15-day (April)	$18.93	(18.84)

Gold

New York Comex(April)	$329.7	(330.5)
London	$329.35	(328.95)

STERLING

New York lunchtime:

$	1.4595	

London:

$	1.45	(1.4485)
DM	2.385	(2.38)
FFr	8.0975	(8.065)
SFr	2.2125	(2.205)
Y	169.75	(170.5)
£ Index	77.4	(77.3)

DOLLAR

New York lunchtime:

DM	1.6477
FFr	5.5858
SFr	1.5265
Y	117.25

London:

DM	1.645	(1.6425)
FFr	5.585	(5.5675)
SFr	1.525	(1.5225)
Y	117.1	(117.7)
$ Index	66.1	(66.2)

Tokyo close Y 116.75

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.50	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Bundesbank considers new cut in loan rates

By Christopher Parkes in Frankfurt

THE BUNDESBANK'S policymakers will today discuss a further 0.5 percentage point cut in Germany's leading interest rates against a tense background of deepening recession in Germany and elsewhere in Europe.

Today's discussion follows last weekend's meeting in London of finance ministers and central bank governors from the Group of Seven leading industrial countries at which Germany's trading partners said they would like an early cut in German rates.

The Bundesbank directorate is understood to have put the interest rate cut issue on the agenda for today's regular council meeting at which it will be joined by the heads of the regional central banks, who are the main source of pressure for reductions.

Expectations about today's meeting have seesawed since the G7 meeting. Mr Helmut Schlesinger, Bundesbank president, initially fuelled hopes of lower official rates by predicting a slight easing of German money market rates this week. But the Bundesbank's subsequent money market operations have suggested no change.

Until yesterday there had been no sign of the turbulence in the European exchange rate mechanism which prompted surprise cuts in the discount rate and the internationally important Lombard rate to 8 per cent and 9 per cent respectively a month ago.

However, in addition to calls from Germany's partners for a further cut in interest rates to pull Europe out of recession and boost the world economy, German domestic factors have come increasingly into play. This week's industrial production statistics showed output in December and January almost 7 per cent down on a year earlier.

These figures, Deutsche Bank's new forecast that the economy is heading for a crash-landing, and a warning yesterday from Mr Ferdinand Piëch, head of Volkswagen, that he was braced for a "long, massive recession", will tend to weight the opinions of regional heads in favour of cuts.

However, economists warned that over-reaction – especially in the wake of last month's abrupt rate reduction – could damage the bank's credibility and its reputation for guiding events rather than being guided by them.

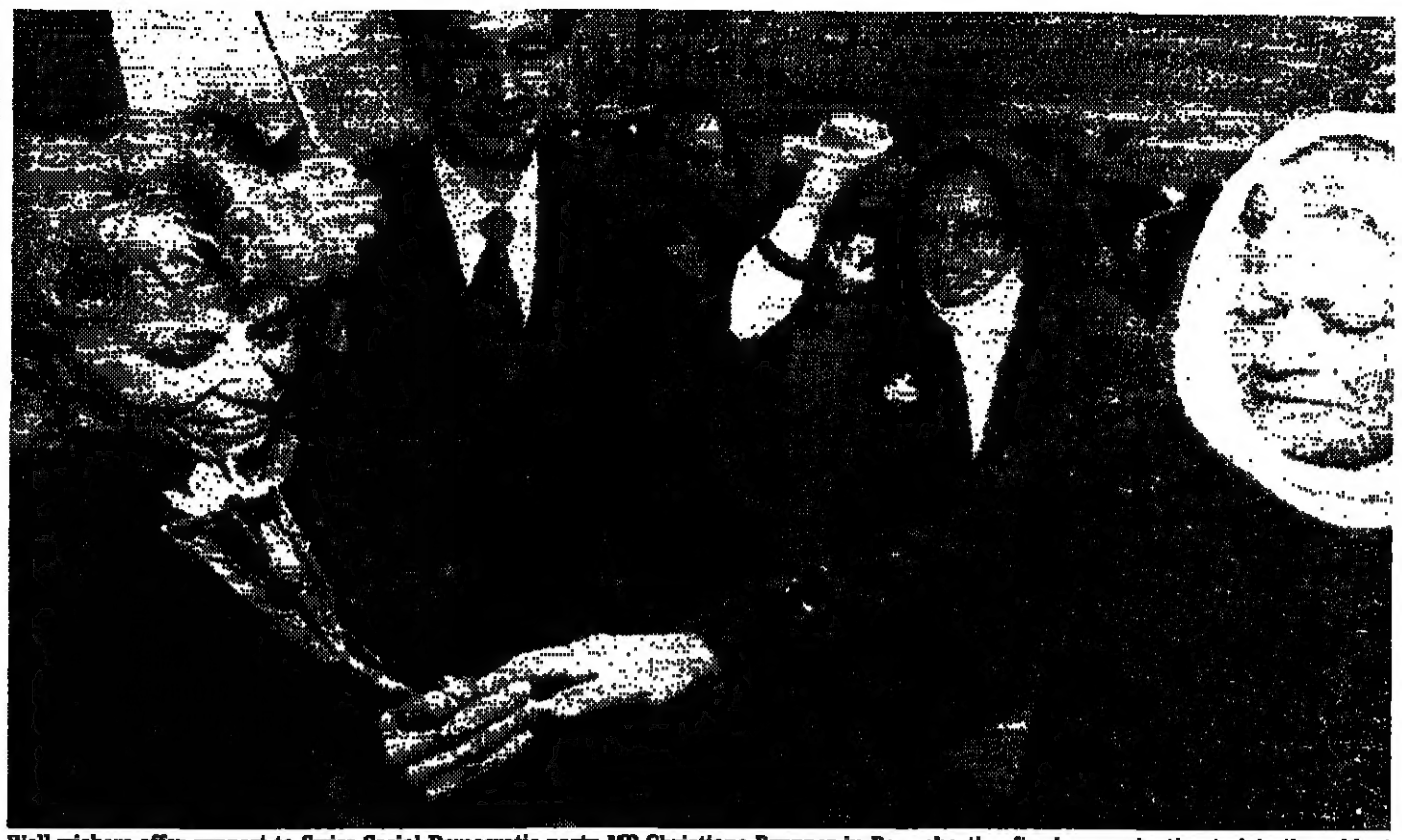
Mr Klaus Friedrich, chief economist at Dresdner Bank, admitted that the rate of decline in industrial output was unprecedented compared with previous recessions. However, manufacturing accounted for only a third of gross national product, he said.

He still believed there was a better than 50 per cent chance of recovery starting this year, based on service industries' growth and increasing exports.

"A cut tomorrow could be viewed as giving way to panic in industry," he said. Exchange markets had settled now that the downward direction of the Bundesbank's rates policy was clear. It was probably not necessary for it to use up more ammunition at present. If further turbulence could be avoided, there was a "marvellous opportunity . . . to generate real confidence" after the French elections later this month. Then both German and French rates could be reduced in parallel. This would imply cuts on April 1 at the earliest.

But domestic economic arguments for cuts continue to mount. Several of the Bundesbank's preconditions for easing have been met. The wages spiral has been abruptly cut off, with average increases of just over 3 per cent this year; money supply growth is under control and inflation seems set for a slow decline.

Money markets ....Page 32
World stock markets Page 34



Well-wishers offer support to Swiss Social Democratic party MP Christiane Brunner in Bern shortly after her nomination to join the cabinet was rejected by members of parliament. She would have been only the second woman minister in Swiss history. Report, Page 14

French try to counter German OCP bid

By Paul Abrahams in London

A CONSORTIUM including Rhône-Poulenc, France's largest chemicals company, is trying to raise between FFr1.5bn and FFr2.5bn ($446m) to make a counter-bid for Office Commercial Pharmaceutique, the country's biggest medicines wholesaler.

Its aim is to outbid Gehe, Germany's second largest wholesaler, which last month announced a friendly takeover of OCP for FFr800 a share, valuing the company at FFr1.8bn. Together, Gehe and OCP would form Europe's largest drugs wholesaling group with sales of about DM14bn ($8.5bn) a year.

The French consortium, which includes a number of leading investment banks and drugs groups, has been organised by Mr Dominique Strauss-Kahn, the French industry minister. The Bourely family, which owns 15

Continued on Page 14

Russia to privatise maker of top people's limousines

By John Lloyd in Moscow

ZIL, the Russian industrial conglomerate indelibly associated with the black limousines which were the preserve of top communists in the former Soviet Union, is to be privatised.

The government said yesterday that R1bn of nominal share capital – 1m shares with a face value of R1,000 – will be offered for sale at 100 auction centres across Russia.

Although Zil limousines are still used to whisk president Boris Yeltsin and his bodyguards at high speeds through the Moscow traffic, demand has fallen now that the new commercial elite prefer Mercedes and stretch Volvos. Zil also produces heavy trucks of an outmoded design and refrigerators.

The cars are handmade at a rate of two or three a year, but the mode of production guaranteed that each was unique so that parts were not interchangeable. A company official declined to reveal the price.

The cars are still popular with well-heeled tourists. They are also bought by smart young Russian bankers to conduct them from work to marble-floored dachas. The armour plating and curtained seclusion of the passenger saloons, which shielded the communist elite from terrorists and stares of the curious, now serve the same function for the new commercial princes.

Zil limousine: hand-made at the rate of two or three a year

Western consulting companies which have looked at the enterprise have concluded that any effort to transform the company into a successful and profitable enterprise will be a mammoth task. It has between between 110,000 and 130,000 workers in 17 sites across Russia.

The biggest site is an ecological inferno located in a bend of the Moscow river in the southern district of the capital. Requests to visit the plant were yesterday brusquely refused on the grounds that the plant had commercial secrets to protect.

The spread of Zil's sites, the wastefulness of its production methods and the archaic nature of its designs lend a certain Stalinist splendour to the company, but make it a nightmare for rationalisation and privatisation. Perhaps in recognition of the difficulty of bringing Zil to the market, a government official said foreign investment would be unlikely until "a later stage", when the various parts of the company had been broken up.

The shares offered represent 35 per cent of the share value of the company, with 40 per cent going to the workforce and management either free or on preferential terms and a further 25 per cent held in state hands for later sale.

The enterprise is the first to be offered on an all-Russian basis, and represents both an attempt to prove that organisations of this size can be successfully sold off and a test of the nationwide system for offering shares.

US calls for UN meeting to consider latest Serb attacks

By Michael Littlejohns in New York, Jurek Martin in Washington and Laura Silber in Belgrade

PRESIDENT Bill Clinton and Mr Warren Christopher, the US secretary of state, yesterday said the air drops of relief supplies into eastern Bosnia would continue.

The US also called for an urgent meeting of the United Nations Security Council to consider the latest Serb attacks on Cerska, eastern Bosnia. Council members were due to go into closed session last night to discuss the crisis, which dashed hopes for progress in a new round of peace talks begun on Monday by the UN and European Community mediators.

On Tuesday night, Mr Les Aspin, US defence secretary, had given the impression that the air drops, which he described as "symbolic" and "a great success", would be suspended indefinitely.

But Mr Christopher said there was "no evidence at all" that the air drops had prompted greater Serb assaults on the Moslem enclaves in eastern Bosnia. He added that in view of the "disturbing" reports of greater fighting and refugee flows "the air drops will be continuing".

A ham radio operator from Konjevic Polje, about 11km south of Cerska, which was the third target of the US air drop, yesterday said villagers had found 18 aid pallets in snow about half a metre deep. Sarajevo radio said heavy Serb artillery fire made it impossible to conduct a wider search of the rugged, hilly terrain.

At least 18 people were yesterday reported killed and dozens wounded in Cerska, as thousands of refugees tried to flee the Serb advance through the region.

"We have reports that Konjevic Polje is under heavy bombardment by Serbs . . . and on amateur radio we hear they are coming under tear gas, shells, and small arms fire", said Ms Lyndall Sachs, spokeswoman of the Belgrade office of the United Nations High Commissioner for Refugees (UNHCR).

Mr Douglas Hurd, UK foreign secretary, discussed the situation with the mediators, Mr Cyrus Vance and Lord Owen, yesterday during a day-long visit to New York that took on enhanced significance because of the worsening situation.

He also met Mr Boutros Boutros-Ghali and endorsed the UN

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CONTENTS

Brussels to clear Perrier takeover

THE European Commission is about to approve the takeover of Perrier, the French mineral water company, by Nestlé, the Swiss foods group, write Andrew Hill in Brussels and Ian Rodger in Zurich.

Brussels' competition authorities signalled yesterday they were broadly satisfied with the proposed sale of part of Perrier's assets to the French beverage company Castel for FFr750m ($133m).

A formal go-ahead will have to wait until the French government, and the French town of Thonon-les-Bains have approved Castel as the new operator of the Vichy and Thonon water sources under their control.

The Commission approved the Nestlé-Perrier deal last July after a five month inquiry, but on condition the rights to certain mineral water brands and springs were sold to a single buyer.

The Commission wants to encourage a new "third force" on the French mineral water market, apart from Nestlé and BSN, France's biggest food company.

Commission officials said yesterday they did not think the sale of Thonon and Vichy would pose particular problems.

Under the original deal with Nestlé, Castel would have acquired the rights to Vichy, Thonon and Saint Yorre, but not Pierval, the fourth brand specified in the Commission's decision last summer. However, under pressure from Brussels, Nestlé persuaded Castel to buy Pierval as well, and announced an amended deal last week.

Mr Paul Neuraz, the mayor of Thonon, met Castel's lawyers last week, in an attempt to negotiate a tripling of production from the town's spring and a slight increase in the fee paid to the municipality.

BSN has already agreed to buy another Perrier brand, Volvic, from the Swiss group, a deal which cannot go ahead until Nestlé disposes of the other Perrier assets earmarked for sale.

French economy stagnant

The first quarter of this year will show no growth in the French economy, the Insee government statistics office predicted yesterday, confirming the grim backdrop to the ruling Socialists's fate in this month's parliamentary elections, writes David Buchan in Paris.

Insee also forecast "no significant growth" in the first six months of this year. Companies' expectations remain very unfavourable, it said, because they saw no early improvement in demand on their main European markets and were still revising downwards their investment plans.

Output fell 0.5 per cent in the last quarter of 1992. Car sales fell 21.5 per cent last month from the January level.

Rühe wants brake on EFA development

By Quentin Peel in Bonn

MR VOLKER RUHE, German defence minister, yesterday called for more drastic measures to slow down the development programme of the European Fighter Aircraft (EFA), accusing the aerospace industry of inflexibility in negotiating savings.

He announced new measures to submit all spending on the project, jointly carried out with Britain, Italy and Spain, to a new financial control group in his ministry, saying that plans had previously not been controlled closely enough.

At the same time he admitted he no longer had adequate funds in his budget to maintain spending at the current rate on the development programme, and called for the timetable to be extended by two years.

The four aerospace contractors have submitted their proposals on reducing the costs of the fighter aircraft, and stretching out the production programme, in line with a deal agreed by the defence ministers last December.

What Mr Rühe now wants, however, appears to be a more drastic slowdown in the immediate future, possibly requiring lay-offs of research and engineering personnel involved in the project.

Mr Rühe was seeking to defend himself in the German parliament against attacks on two fronts: from supporters of the EFA project in his own government, who say he has been irresponsible in axeing too much money from the development programme in the current year; and from opponents of the scheme, who maintain that the entire project should have been scrapped.

He was called to give evidence to the Bundestag defence committee, after it became apparent that the DM520m ($313m) set aside for EFA development in 1993 would run out, probably by April. The original allocation of DM820m was cut by DM300m in a late round of budget cuts, since when it emerged that another DM180m had to be paid for uncovered spending in 1992.

The DM340m left for EFA in the current budget is estimated to be DM600m short of the likely spending by Deutsche Aerospace, the principal contractor in Germany. The other companies involved are British Aerospace in the UK, Alenia in Italy, and Casa in Spain.

Mr Rühe said the lack of flexibility shown by the aerospace industry, and the expectations for spending which went far beyond the budget approved by the Bundestag, would endanger the future of the project.

He said Germany remained committed to spending DM5.85bn on the entire development phase, but wished to see it extended by two years, from the current end-date of autumn, 1998.

Boris Yeltsin speaks to Ella Pamfilova, the Russian social security minister, at a meeting of women from legislative bodies yesterday

ARMY URGES YELTSIN TO END DEADLOCK

THE top command of the Russian army has urged President Boris Yeltsin to take "resolute measures" to end the political deadlock, according to the daily Izvestia, writes John Lloyd in Moscow. The newspaper reported that "during a security council meeting chaired by Mr Yeltsin, military representatives expressed concern on the development of the political crisis and demanded that the president take resolute measures to end it".

The deliberate publicity given to this normally closed discussion highlights the momentum gathering behind a presidential strike against his encircling opponents in parliament and elsewhere – possibly in the form of a declaration of an emergency, or of presidential rule.

Mr Anatoly Sliva, deputy head of the president's legal advisory department, said yesterday the referendum planned for April 11 following an agreement between the president and parliament in December could not now legally be cancelled. A meeting, probably next week, of the Congress of People's Deputies seems certain to repudiate its earlier agreement.

Yesterday, talking to women's groups, Mr Yeltsin warned that Russia could split into warring states unless the opposing sides ended their differences. However, he also asked the groups to use their influence to cool tempers.

● The governor of Ukraine's central bank announced yesterday that on March 18 he will raise Ukraine's discount rate to 180 per cent as part of the government's drive to stabilise the Ukrainian economy, writes Chrystia Freeland in Kiev.

Doubt cast on Bonn's plan for company tax reform

By Quentin Peel in Bonn

PLANS by the German government to overhaul company taxation, to make Germany more competitive, could have the opposite effect, leading economists and tax experts warned yesterday.

Far from encouraging investors to come to the country, it was likely to act as a disincentive, because of sharp cuts proposed in depreciation allowances, they told a parliamentary inquiry in Bonn.

In addition, the new law could contradict the German constitution, by discriminating between income tax payers.

Indeed, rather than have an inadequate tax reform, which is supposed to have no net effect on the government's tax income, the experts suggest that it would be better to have no reform at all.

The embarrassing evidence for the German government, and for Mr Theo Waigel, the finance minister, was presented at a public hearing of the Bundesstag finance committee.

The key element in the plan for a new law on corporate taxation, intended specifically to improve the competitiveness of Germany as an investment location – the so-called Standortsicherungsgesetz – is a substantial reduction in the marginal rate of corporate taxation from more than 50 per cent to 44 per cent.

Private companies which pay income tax would see the rate come down from 53 to 44 per cent, and public companies paying corporation tax would also be liable for a marginal rate of 44 per cent, instead of the present 50 per cent.

However, the plan is intended to have no net effect on the government's tax revenues – given the current acute budget squeeze to finance spending in east Germany – and the reduction in overall tax rates is to be financed by abolition of depreciation and other allowances.

In a report on the tax reforms published to coincide with the hearing, the Berlin-based German Institute for Economic Research (DIW) said that "on balance, it will be precisely those companies intending to invest who will be penalised by the tax changes.

"For them the advantages offered by the planned reduction in basic tax rates will frequently be outweighed by the disadvantages resulting from the worsening of depreciation allowances."

A series of leading experts in the field of company taxation backed the argument of the DIW. Professor Joachim Lang, of the Institute for Taxation Law at the University of Cologne, said that "to attempt to improve competitiveness in a way which does not reduce tax revenues is as impossible as trying to square a circle".

DIW calculates that particularly in capital intensive industries, like engineering and the chemical industry, the effect would be negative, while labour-intensive industries like textiles would benefit.

Hurd backs UN chief on Yugoslavia

By Michael Littlejohns in New York and Lionel Barber in Brussels

MR Douglas Hurd, UK foreign secretary, yesterday endorsed the view of Mr Boutros Boutros Ghali, the UN secretary-general, that United Nations troops may have to use force to implement an agreement in former Yugoslavia.

However, Mr Hurd emphasised that it would be impossible to impose a military solution in the absence of a negotiated settlement endorsed by all the warring parties.

During his one-day visit to New York, Mr Hurd discussed the Balkans crisis with Mr Boutros Ghali and the UN and European Community mediators trying to complete a peace settlement.

The question, said Mr Hurd, was how to implement an accord based on the proposals of the two mediators, Mr Cyrus Vance and Lord Owen, "after that agreement had been reached".

The ideas that were taking shape after last Friday's Nato meeting were still a long way from "receiving detailed definition," he added. Asked if the new outbreak of fighting in Bosnia was a serious setback for the peacemaking process, Mr Hurd acknowledged that it was damaging but it only made the peace talks even more essential.

Mr Hurd welcomed yesterday's US call for an emergency session of the Security Council. The council scheduled closed-door consultations last night that were expected to be followed by a statement aimed at halting the carnage in Bosnia.

Meanwhile, in a speech in Antwerp yesterday, Mr Hans van den Broek, EC commissioner responsible for external relations, raised the prospect of the European Community, the US and Russia using joint military force to bring an end to the conflict.

Mr Van den Broek, formerly Dutch foreign minister, said the Yugoslav crisis had entered a crucial phase. Military intervention might be necessary to uphold a political settlement based on the Vance-Owen plan, or to impose a solution from the outside. "In both scenarios Europe will face painful choices as to its military intervention," said Mr Van den Broek.

"I believe that only a united front by the US, the European Community and Russia offers a chance of forcing the warring parties to make peace."

EC diplomats reacted cautiously to Mr Van den Broek's suggestion, pointing out that such decisions lay with member states, rather than the European Commission. A UK diplomat said Mr Van den Broek, a long-time hawk on Yugoslavia, was on "dangerous ground" if he was threatening to impose an outside settlement. More than 50,000 troops might be needed to broker and enforce a truce.

Frankfurt draws a veil over extreme right

Local elections in the state of Hesse will test support for Republicans, writes Christopher Parkes

FRANKFURT has been tidied up in preparation for local elections in the state of Hesse this Sunday. The city authorities have cleared "Needle Park" in the banking quarter of drug dealers and their clientèle. The homeless have been shifted out of the main station's shopping galleries.

Unofficial action has ensured that other unsightly elements – the extreme right – have hardly shown their face. Election meetings on behalf of the Republicans and German People's Union (DVU) have been confined by public pressure to backrooms in down-at-heel pubs. Overt signs of their activities – posters installed nightly on lamp posts three metres above the streets – disappear before dawn.

But the result of the vote for 21 district presidencies and 426 local councils, the only scheduled popularity test for Germany's political parties this year before the grand slam sequence of local, state, federal and European elections in 1994, is likely to be an untidy affair.

In the state overall, the Social Democrats (SPD) are expected to sustain light losses on the 44.5 per cent share of the vote last time in 1989, while Chancellor Kohl's Christian Democrats (CDU) suffer more substantial reductions from their 33.3 per cent.

The Greens seem set to improve on their 7 per cent overall share won in 1989, mainly because disillusionment with the main parties has prompted a drift among voters seeking respectable alternatives. These apparently do not include the Free Democrats, who have been losing ground and appear from most recent samplings likely to emerge with less than the 4.4 per cent of the Hesse vote they won in 1989.

But most eyes, in Bonn and abroad, will be focused on Frankfurt. As well as being the largest city in the state, it is the most crime-ridden and most cosmopolitan in the country – a quarter of the population is non-German. It is amply qualified as a political proving ground for the far right.

The weekend election will show the extent to which the Republicans and DVU have been able to transmit their "foreigners out" message beyond their meeting rooms, and the extent to which they may influence the federal electorate next year.

Opinion surveys in the city have shown the SPD fading sharply and the CDU gaining on the popular perception that for all their failings in Bonn, the Christian Democrats are better equipped to deal with the main issues in this election: a mostly mundane mix of budget management, housing shortages, traffic bottlenecks and rising crime. At the last count the two main parties were neck and neck with 35 per cent each among those who had decided how to vote. This placed the CDU marginally below its 1989 result and SPD down five percentage points.

Meanwhile, the Greens, the SPD's current coalition partners have gained five points to reach 15 per cent overall. The Republicans, representing the other extreme of the spectrum, seem set to win almost 7 per cent of the vote – the same as the National Party (NPD), their ideological predecessors, in the 1989 election.

The figures suggest that the recent widespread public condemnation of racist violence, orchestrated candle-lit processions and posters preaching "Tolerance" on every corner have had some effect on the city's collective conscience.

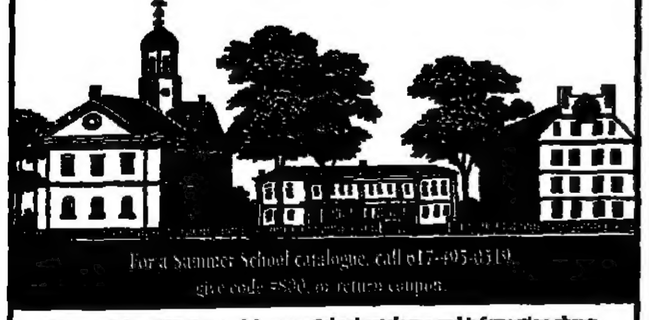
But although the issue of asylum-seekers has slipped down the political agenda and is mentioned by only 6 per cent of voters as an important issue, the more general "foreigner problem" (17 per cent) remains inextricably bound up in local minds with crime (27 per cent).

The final judgment must wait until all the votes have been counted, including those of the 17 per cent of Frankfurters who say they have yet to decide which way to vote.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1; Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1993.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.



Danish row over Maastricht No vote warning

By Hilary Barnes in Copenhagen

DENMARK would face a serious fall in living standards if the electorate voted No to the Maastricht treaty in the country's second referendum, on May 18, according to a report by the Ministry of Finance.

The report's conclusions were promptly denounced by Mr Kai Lemberg, a representative of the main anti-Maastricht organisation, the June Movement, as being based on "outrageous assumptions". But Mr Mogens Lykketoft, the finance minister, said that there was little doubt about the accuracy of the economic predictions outlined in the report.

The report assumes that if there is a second No vote, Denmark will have to leave the European Community and accept the same status as the Efta countries by signing the European Economic Area agreement. This would exclude Denmark from participation in the EC's common agricultural and fisheries policies, force Denmark to leave the European monetary system, and have an adverse effect on foreign direct investment in Denmark.

The impact on agriculture and fisheries would be especially serious. Exports of agricultural and fisheries products, including industrially processed foods, were worth about DKr62bn ($9.8bn), or 26 per cent of total merchandise exports, in 1992.

Without access to EC markets, or EC subsidies for agricultural exports to third countries, exports of agricultural and fisheries products could be halved, the report claims, resulting in the loss of some 100,000 jobs in agriculture, fisheries and the food processing industries.

When compared with likely developments if Denmark remains a member of the Community, real disposable national income in the short-term would fall by 7-8 per cent and 150,000 jobs – about 5 per cent of total employment – would be lost, the report concludes.

The remaining job losses would arise because Danish interest rates would be higher than in other European countries if Denmark left the EMS and as a result of lower investment by both foreign and domestic companies. Initially, however, the country's balance of payments, which is in substantial surplus at the moment, would not be seriously affected, as imports would fall even faster than exports, the report predicts.

■ The Danish central bank reduced its key money market interest rate, the repro rate, by a half point from 12.5 to 12 per cent yesterday. The step follows the easing of speculative pressure on the Danish krone in February, when the official discount rate was raised from 9.5 to 11.5 per cent. The discount rate was reduced to 10.5 per cent on February 22. The central bank used DKr16bn to support the krone in February.

UK premier John Major with Polish counterpart Hanna Suchocka at Downing Street yesterday

UK grants for Polish banks

By Robert Mauthner, Diplomatic Editor

BRITAIN has agreed that its grants to the Polish stabilisation fund, amounting to $100m, should be used to recapitalise the Polish banking system, Mr John Major, the British prime minister, said yesterday.

The Polish stabilisation fund was set up in 1989, with a total capital of $1bn, from donations and loans from western countries. Its primary objective was to support the convertibility of the zloty, but it has never been called upon.

Mr Major, who was speaking after talks in London with Ms Hanna Suchocka, the Polish prime minister, also said that Britain continued to back wholeheartedly Poland's eventual membership of the European Community. It would, however, take a number of years for the Polish economy to become sufficiently efficient to face the full blast of competition from the EC members.

Ms Suchocka said she had had a sympathetic hearing from Mr Major for her request that Poland should be upgraded as a recipient of British export credits. At the moment cover is available from the Export Credit Guarantee Department (ECGD) for short-term export credits. But Poland, which feels that it should no longer be classified as a high risk country, would also like to be able to benefit from medium- and long-term export credits.

Mr Major said an answer would be given after further talks in the club of creditor nations.

Fiat bruised at crucial time

Arrests have added to the group's problems, writes Robert Graham

FIAT, the flag bearer of Italian industry, has begun a delicate damage limitation exercise to offset the impact on the group of the continued imprisonment of Mr Francesco Paolo Mattioli, its chief financial officer.

Mr Mattioli has been held in a Milan jail since February 22 when he was arrested with Mr Antonio Mosconi, chief executive of Toro, Fiat's insurance arm, for alleged illicit funding of political parties. They are being detained in connection with their previous roles on the board of Cogefar-Impresit, the Turin-based group's construction company.

Last May Mr Enzo Papi, then Cogefar-Impresit's managing director, was imprisoned for 55 days by Milan magistrates and only released after confessing to the payment of a L1.8bn ($1.1m) bribe for a Milan metro contract. Mr Papi, who resigned from Cogefar-Impresit, has been questioned again in recent days.

Fiat management on Tuesday declared the group's full solidarity for the two imprisoned executives and called for their fate to be clarified as quickly as possible. It said it was concerned that "this judicial affair, because of the resort to preventive detention and uncontrolled dissemination of restricted information before any sentence, affects the reputation of these people and the image of the company at a moment when it is directing all its energies to provide jobs and be competitive".

Whatever the outcome of the arrests, Fiat has been bruised at a crucial time. Mr Guiseppe Turani, Italy's best known writer on corporate affairs, commented after the arrests: "Fiat has been hit by Milan magistrates at perhaps the most delicate moment in its history, or at least during that period which began almost 30 years ago when the 'Avvocato' (Giovanni Agnelli) became president."

The Fiat group, with its core business in the automotive sector, is confronted by three vital challenges: to produce successful new models; to forge new international alliances; and to produce an effective management structure to cope with the departure next year of Mr Agnelli.

The challenges have already increased because of the downturn in Fiat's main markets and Mr Agnelli's forecasts of a bleak 1993. On top of this, the group can scarcely afford damage to its reputation or instability in Italy, which accounts for 44 per cent of car sales, nor lose the services of Mr Mattioli.

Mr Mattioli, aged 52, has been with Fiat since 1975 and has worked closely with Mr Cesare Romiti, the group's chief executive. Last November he was promoted in a management shake-up designed to prepare the way for the departure of Mr Agnelli who has said he intends to step down in June next year. He is to be succeeded by his brother Mr Umberto Agnelli.

The management structure was slimmed down and split in effect into two broad sectors – industry and industrial development under Mr Giorgio Garuzzo and financial control and resource management under Mr Mattioli.

Mr Garuzzo and Mr Mattioli reported to Mr Romiti who has also hinted he will step down at about the same time as Mr Agnelli. In Turin Mr Garuzzo and Mr Mattioli were both tipped as possible successors to Mr Romiti.

In any event Mr Mattioli has had the task of managing resources against declining profits (forecast for 1992 at half the L1,609bn of 1991) and the need to find resources to fund investment of L47,000bn during the rest of the decade.

The prospect of Fiat raising cash by selling some of its non-core activities such as Rinascente, the stores group, or even Toro insurance and the Cogefar-Impresit, has helped push Fiat shares up steeply since the beginning of the year.

Also fuelling the rise have been rumours of talks about a new alliance on the car side. Last week Mr Agnelli specifically ruled out the Japanese but was silent about the possibility of a European partner.

The Milan bourse rumour mill says the price is being talked up to make Fiat shares more attractive for an alliance.

A tie-up with Renault is mentioned. Renault has denied this as it already has its hands full with Volvo, and Fiat says an alliance now when it is investing so heavily in new models makes no sense.

But the shares are still rising – despite the impact of the arrests. This suggests foreign institutional buying of the shares in the belief Fiat will benefit from devaluation and from its new models due when, as it is hoped, the market picks up next year.

Fiat will need luck and good management.

The Italian business community is watching closely how long Mr Mattioli is kept in jail and whether he can emerge unscathed.

As Mr Agnelli put it last week: "Being caught up with the magistrature is always worrying; it's a bit like being on the operating table – one hopes it will all go well but there is always a risk."

Italian balance of payments figures worsen

ITALY'S overall balance of payments in January registered a deficit of L765bn ($496m), compared with a L566bn deficit during the same period in 1992, writes Robert Graham.

The deficit reflected movement in the current account which was in the red to the tune of L5,169bn. In contrast, capital movements registered a surplus of L4,603bn. This was largely due to an upsurge of foreign investment totalling L6,163bn. Portfolio investment accounted for L5,497bn, compared with a mere L47bn in January 1992.

These inflows were only partially offset by L2,736bn of Italian capital going abroad. Significantly the latter outflows were down on the same period in 1992 when they totalled L7,535bn.

The country's foreign currency reserves stood at L37,966bn at the end of January, compared with last September's low of L20,801bn during the currency crisis.

Romanians clear the way to boost foreign investment

THE Romanian chamber of deputies has amended the foreign investment law to allow foreign companies to own property in Romania and repatriate all profits, writes Virginia Marsh in Bucharest.

The bill must be approved by the Senate before becoming law but is expected to pass without difficulty, the Romanian Development Agency (RDA), the state body responsible for foreign investment, said yesterday.

The amendment allows foreign investors to own property in Romania through joint venture companies or through locally registered subsidiaries. Existing legislation says Romanian economic agents may own real estate but does not specify that this includes foreign investors participating in local companies.

Confusion has arisen because the country's constitution forbids ownership of real estate by foreigners.

Mr Florin Bonciu, the RDA's director general, said the amendment would bring Romanian foreign investment regulations in line with those in other eastern European countries.

He expected the bill would boost investment in Romania especially from medium-sized companies.

Most of the $600m which has been invested in Romania to date had come from small companies with no need to own property, or from large companies such as Coca-Cola which are prepared to set up factories in spite of the ambiguous legislation, he said.

Medium-sized companies did not have the resources to take such risks.

The amendment allowing 100 per cent repatriation of profits made in both hard currency and in lei, the national currency, is not expected to make as big an impact on investors in the short term.

Romania's acute hard currency shortages make it difficult in practical terms for companies to change lei into convertible currencies.

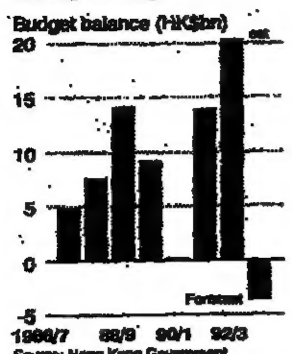
■ Serbian harbour workers have ended an eight-day blockade of the River Danube, the Romanian Foreign Ministry said yesterday.

Trades unions in the Serb port of Prahovo, protesting against UN sanctions, had prevented international river traffic from reaching the Black Sea since last Tuesday.

Budget buoys Hong Kong stock market

By Simon Holberton in Hong Kong

Hong Kong



Source: Hong Kong Government

STEEP cuts in taxation and higher spending on social programmes and public works were provided for in the annual budget presented by the Hong Kong government yesterday.

Mr Hamish Macleod, the colony's financial secretary, said Hong Kong's gross domestic product, adjusted for inflation, would rise this year by 5.5 per cent compared with 5 per cent last year. Inflation is expected to hover just below 10 per cent.

His budget cheered the stock market which ended the day 11 points away from its all-time high of 6,447, reached on November 12 last year. The market was also encouraged by signs that Britain and China were edging closer to an agreement to talk about Hong Kong's political development.

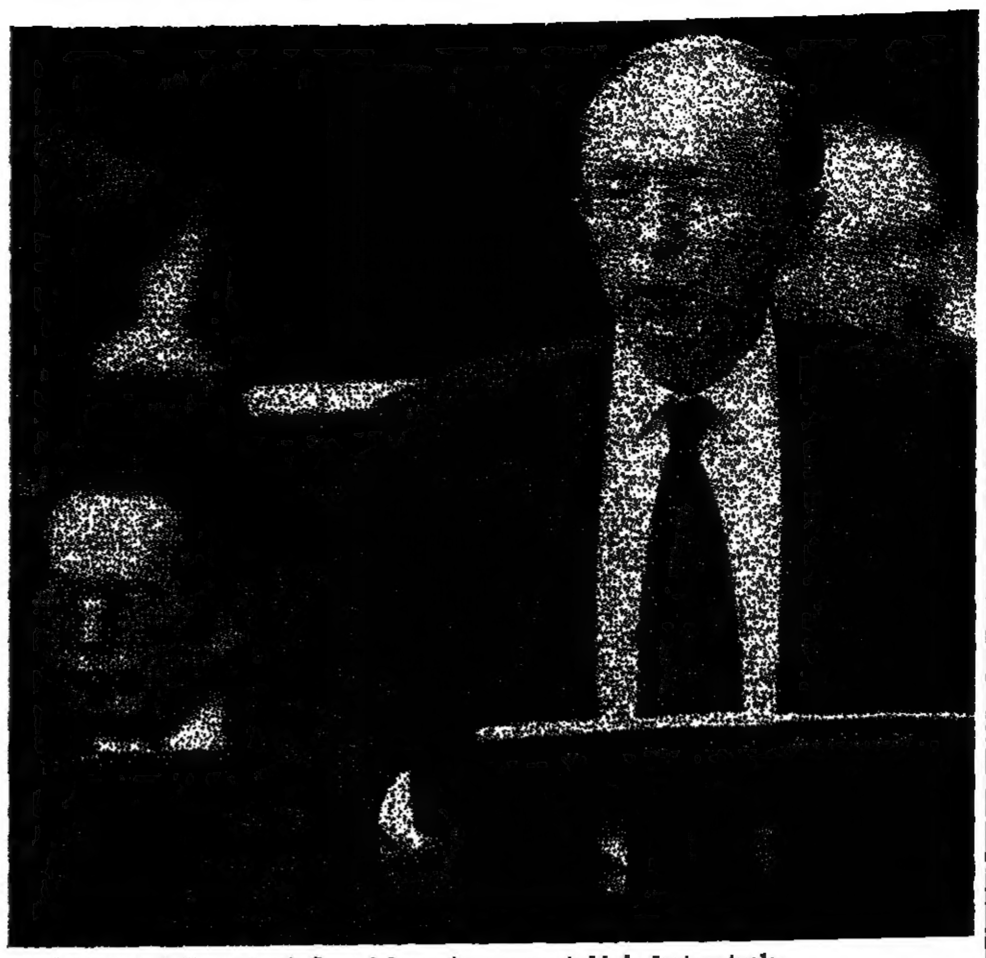
Yesterday Governor Chris Patten announced that he would delay a visit to Japan so he could make a statement on the state of Anglo-Chinese talks about Hong Kong.

Mr Patten will address the Legislative Council, LegCo, the colony's law making body, tomorrow where he also is expected to explain why the government has delayed publishing legislation that would give effect to his proposals for wider democracy in the colony.

Mr Macleod described his budget as one which "built on success". He confidently forecast that Hong Kong would overtake Britain and Australia in terms of income per head this year and praised local businessmen for their ability to look "beyond present political controversies" to the colony's long-term prospects.

His budget was, however, unashamedly populist and designed to ensure a smooth passage through LegCo. More money was allocated for social security, housing, health and education. Tax allowances were over-indexed by twice the rate of inflation and the threshold at which income tax becomes payable was raised.

Chris Patten appears optimistic over Anglo-Chinese talks



Hamish Macleod, Hong Kong's financial secretary, presents his budget yesterday

Mr Macleod left the corporate tax rate unchanged at 17.5 per cent. He cut the rate of stamp duty on stock market transactions to 0.3 per cent from 0.4 per cent – at a cost of HK$800m (£72m) to the revenue. He said that he would look sympathetically on further reductions in stamp duty.

He also decided to bring forward a big roads programme. Tomorrow it will call for expressions of interest from the private sector to build a road linking Hong Kong's container port with the city of Shenzhen, which lies on the colony's northern border.

This project involves the construction of a bridge and tunnel and would, by 1997, provide a direct road link from China's most productive regional economy to Hong Kong's modern port. Mr Macleod earmarked HK$4bn for the government's contribution to the project.

The combined effect of these and other measures is forecast to produce a budget deficit of nearly HK$3.6bn for the 1993/94 fiscal year – the first deficit the Hong Kong government has forecast since the mid-1980s – and compares with an estimated budget surplus of HK$20.5bn for 1992/93.

This was up from an initial forecast of just HK$7.5bn made a year ago. A combination of buoyant tax receipts and under spending by the Hong Kong government on public works were equally responsible for the higher surplus.

In his medium-term outlook for the government's finances, Mr Macleod forecast continued budget deficits. These were due primarily to the building of a new airport and associated projects which, if completed on schedule, would be income producing by the time China resumed sovereignty of Hong Kong, he said.

According to the projection, by 1997 the Hong Kong government's accumulated budget surplus should be more than HK$78bn – well ahead of the HK$25bn which Britain has agreed with China.

S Korea may free interest rates

By John Burton in Seoul

SOUTH Korea's new government yesterday indicated it might deregulate a large portion of interest rates this month in a key step toward financial reform. The action would fulfil a promise by the previous administration that the latest phase of interest rate deregulation would occur in the first half of this year.

The government's tight control of lending and deposit rates has been blamed for distorting credit allocation and causing market interest rates to be higher than those of South Korea's main Asian competitors.

Seoul agreed in 1991 to deregulate interest rates in four stages by 1997 in response to US trade pressure that it open up its financial market. The second phase to be implemented this year would free 75 per cent of bank lending rates and 30 per cent of deposit rates.

It would also completely liberalise lending rates among other financial institutions, such as short-term finance companies and insurance companies, and deregulate 65 per cent of their deposit rates. But officials have hesitated to free rates because they fear it would cause painful adjustments to the financial system, including a temporary jump in interest rates.

A similar attempt at deregulation in 1988 caused interest rates to rise sharply as borrowing expanded to finance property speculation. The government scrapped the reform and put strict limits on property transactions.

Mr Hong Jae-hyong, finance minister, said yesterday the fall in market interest rates since last autumn had improved prospects for deregulation to be managed without significant disruption. Market rates now stand at 11 per cent against a peak 19 per cent early last year. A cut in the central bank's key lending rates in January helped push down market rates.

One concern is that corporate demand for loans usually rises in the spring as companies increase spending on facilities and equipment. The government wants to encourage corporate investment spending this year to help revive the economy, which grew by some 4.5 per cent last year, the lowest rate since 1980.

The finance minister also said yesterday that a schedule to introduce a "real name" financial transactions system, promised since 1981, would be unveiled by May. Financial accounts can at present be held under pseudonyms and have been used to hide money generated by Korea's underground economy. Introduction of "real name" accounts would help fight corruption, a move that is in line with the aims of President Kim Young-sam.

Share prices on the Seoul exchange have fallen recently, because of fears the "real name" system would drain liquidity from the market.

Westinghouse to face trial in US

By Jose Galang in Manila

PHILIPPINE negotiations with Westinghouse Electric of the US for an out-of-court settlement on a bribery charge in the construction of a nuclear power plant have collapsed, paving the way for a trial at a US court.

Philippine negotiators yesterday said they "did not believe" that the latest Westinghouse proposal for a settlement "would provide substantial benefit to the country".

They declined to divulge details.

The trial is set to start on March 15 at the New Jersey federal court and could take about two months.

The case was filed in December 1988 by the Philippine government and the state-run National Power Corporation (Napocor), owner of the nuclear plant, which alleged that Westinghouse and Burns and Roe, a US consultant to Westinghouse, had in 1973 bribed the late President Ferdinand Marcos, to win the contract.

The 620MW plant was constructed on the Bataan Peninsula, 60km north-west of Manila, at a cost of $2.1bn.

Mr Marcos was ousted in a popular uprising in 1986 and the government of Mrs Corazon Aquino mothballed the plant and initiated the court suit.

The Philippine government alleged that Westinghouse and Burns and Roe illegally obtained their contracts by bribing Mr Marcos through Mr Herminio Disini, a Marcos relative.

The government had also claimed that the plant was unsafe and inoperable because of allegedly defective design, construction and testing. It is seeking $26.5m (£18m) in actual damages and an unspecified amount for punitive damages.

On the eve of the original trial in March 1992, the two sides came up with a provisional out-of-court settlement that involved Westinghouse payments to the Philippines of $100m in cash and cash equivalent to repair and upgrade the plant to current safety standards.

In return, Westinghouse was supposed to be granted a licence to operate the plant for 30 years, selling electricity to Napocor at a pre-set price.

Subsequent negotiations, however, failed to resolve the price at which the output from the Bataan plant will be purchased by Napocor, according to Manila officials.

The freeze on the nuclear plant had left the Philippines with a severe shortage of electric-power generating capacity.

Egypt to end foreign banks' currency curb

By Mark Nicholson in Cairo

EGYPT is to remove curbs barring foreign banks from operating in local currency, in a move the government hopes will attract substantial new investment.

The measures, approved at a meeting earlier this week attended by President Hosni Mubarak and the country's top economic policymakers, will allow the 22 foreign bank branches in Egypt to take deposits and make loans in Egyptian pounds without requiring changes in the branches' shareholding structure or legal status.

In practice, the decision would considerably open Egypt's banking market. "Foreign banks will be able to enter Egypt without any restriction whatsoever," one senior local banker said. Mr Atef Obeid, cabinet affairs minister, said the move aimed to encourage foreign banks to "make bold decisions to invest and extend credits".

A proposed amendment to Egypt's banking law will be put to parliament for ratification next week. Approval is considered a formality.

Foreign bankers in Cairo welcomed the move, suggesting it could herald considerable expansion into the domestic retail market by such banks as Citibank, American Express Bank, Chemical Bank, Bank of Nova Scotia, Credit Suisse and Arab Bank. "Basically, the move opens up a totally new market," one US banker said.

The measure has been resisted strongly by some of Egypt's larger and more conservative banks. The banking law had previously held that foreign banks with branches in Egypt should have local partners to be allowed to operate in local currency.

However, some local bankers welcomed the move, saying it would jolt Egypt's banks into greater efficiency. "I welcome foreign competition, provided the central bank has the capacity to control and monitor the expanded activities," Mr Hazem Beblawi, chairman of the Export Development Bank of Egypt, said.

The decision to liberalise the banking market comes amid steps to boost growth and impress the IMF and World Bank with Egypt's resolve to expand the private sector. Last week the bank signed a memorandum of understanding unfreezing a $150m structural adjustment loan, after approving Cairo's plans to speed privatisation of its public sector.

Afghan rivals agree deal to share power

AFGHANISTAN'S two main warring rivals have agreed on a peace formula that should allow the arch enemies to share power in Kabul, officials said, Reuter reports from Islamabad.

Under the draft accord, reachedin Islamabad and yet to be agreed by the other main mujahideen parties, President Burhanuddin Rabbani remains in power for several months, while Mr Gulbuddin Hekmatyar, chief of the hardline Hezb-i-Islami party, becomes prime minister.

"Engineer Hekmatyar is ready to take up the post of prime minister and if there are no objections by the other groups we see no difficulty," Mr Rabbani's spokesman, said. A few small differences remained, he said.

Mr Rabbani was insisting on recognition of the assembly of nationwide delegates that last December elected him as president for the next two years but conceded to Mr Hekmatyar's demand for general elections before his term expired.

Mr Hekmatyar has accused Mr Rabbani of rigging his election and subjected Kabul to a fierce bombardment to back his demand the president step down. More than 1,000 people were killed and 6,000 injured in Hekmatyar's last assault on Kabul.

Iranian oil wells bombed

IRANIAN security officials are investigating bomb explosions at oil facilities in south-west Iran, Tehran's Salam newspaper yesterday quoted national police chief General Reza Seifollahi as saying, Reuter reports from Nicosia.

It was the first official confirmation of sabotage in oil wells reported last month.

"The intelligence ministry is following the case of bombings in Khuzestan oil installations which occurred over the past month," Gen Seifollahi was quoted as saying.

Bombs were said to have exploded at three operating wells near Ahvaz, capital of the main oil-producing province of Khuzestan, 540km south-west of Tehran.

Taiwan and UK to establish air links

TAIWAN and Britain will establish direct air links on March 29 in a move expected to benefit trade and tourism, airline officials said yesterday, Reuter reports from Taipei.

Aircraft flying the route will not carry flags or national insignia because of political sensitivities.

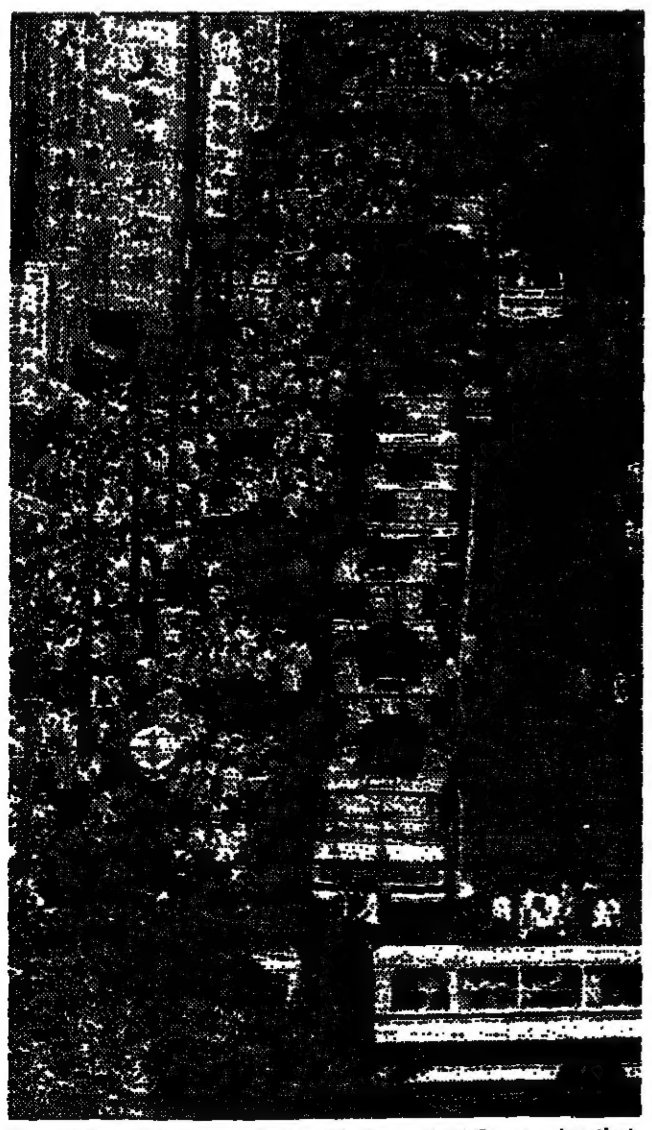
Britain does not have formal diplomatic ties with Taipei and instead recognises China, which claims sovereignty over Taiwan.

British Asia Airways, a subsidiary of British Airways, will make two round trips a week between Taipei and London, with a stopover in Hong Kong, Mr Winston Hsieh, the airline's Taipei manager, said.

Eva Airways, Taiwan's second international airline and part of the Evergreen shipping group, said it would make three trips a week with stopovers in Bangkok and Vienna.

Taiwan has struggled to set up direct air links with other countries because of its rivalry with China. The island's growing economic power has helped it establish services with several nations in the past two years.

Taiwanese made about 50,000 trips to Britain last year, up from 35,000 the previous year, Britain's representative office in Taiwan said.



Shanghai: so interwoven is it with the rest of the country that almost every move it makes affects the national economy

What's good for Shanghai is good for China

Zhang Tingting on the role of a city that provides a sixth of the country's budget revenues

SHANGHAI has long been regarded as the engine of growth for China's economy. But as the country has experimented with market policies, the city's massive state-run industries have held back its growth.

Shanghai is pinning its hopes for renewed growth on projects such as Pudong, a planned industrial estate the size of Shanghai itself.

The city remains the largest contributor to national budget revenues, providing a sixth of the total – 10 times the amount contributed by fast developing Guangdong province. But it has lost its position as the largest regional economy to Jiangsu province.

Shanghai has long embraced reform – its previous mayor was Zhu Rongji, now leading the national economic reform programme as vice-premier – but the preponderance of large state-run industries, with outdated products, excess labour and lack of management autonomy, has produced huge challenges.

By contrast, industry in Guangdong province, where the "open-door" policies were first introduced with the creation of special economic zones, has been able to grow from a small base on greenfield sites and has employed what was previously a mainly rural population.

Shanghai is China's industrial centre. It is so interwoven with other parts of the country that almost every move it makes to reform affects the national economy not least because its industries rely heavily on energy and raw materials from other provinces. The initial impact of the transition to a market economy was to divert from them at least 60 per cent of the energy and raw materials which had been provided under central planning.

In 1988, the city found itself with only a few days' coal reserves. The government, which had previously fixed all coal prices, had begun to free them. The immediate result, however, was chaos in supplies. The partial liberation made it hard for Shanghai to find fuel for its industries in competition with manufacturing enterprises throughout China, including those not run directly by the state, which queued up to bid for a share.

Meanwhile, the local state-run textile industry, the biggest hard currency earner, was on the verge of bankruptcy because of new competition from township enterprises in neighbouring Jiangsu and Zhejiang provinces.

Township enterprises, which mushroomed in the mid-1980s as a result of market reforms, usually outperform their state-run counterparts because they have advantages in flexibility of pricing, distribution and the right to hire and fire.

Shanghai's 940 large- and medium-sized state-run enterprises, by contrast, have had little impetus to grow because of old-fashioned inefficient management with no answers to the intense competition.

However, the development of Pudong, a 350sq km area – larger than China's four special economic zones together – offers the chance to renew Shanghai's industrial base. The project is expected to take 30 to 50 years and to cost at least $10bn (£7bn).

Premier Li Peng has called the Pudong project "the focus of China's efforts to attract foreign investment in the current decade".

CHINA'S state-dominated industrial sector last year registered losses of about $76bn (£53bn), much the same as the year before, according to the State Statistical Bureau, Tony Walker reports from Beijing.

The military, tobacco, coal-mining and petroleum sectors accounted for the biggest losses. These sectors tend to be most heavily burdened by rigid pricing policies and by overmanning.

Faltering state-owned enterprises accounted for 80 per cent of losses in industry, with the light manufacturing sector hardest hit, the statistical bureau reported.

Heavy industry fared slightly better, because of heightened demand for products such as steel due to a construction boom. China's economy grew more than 12 per cent last year.

Losses in the military sector were attributed to shrinking demand. Heavy investment in industry over the past few years appears to have yielded only limited improvements in efficiency.

China's shrinking state sector accounted for about 50 per cent of industrial output last year. In 1978, at the outset of the "open door" reforms, it produced 78 per cent of total industrial output.

Of three special zones within the area, one – Waigaoqiao – allows foreign investors to re-export for the first time since the communists took power in 1949. C. Itoh, the Japanese trading house, was the first to set up there. The other zones are for export processing and financial services.

To finance the development, Beijing will help Shanghai raise 4bn yuan (£475m) a year through Pudong construction bonds. It will also sell shares in state-run companies on domestic and overseas markets, provide state funding and low-interest loans, and try to revive state-run enterprises by various means including granting them the right to import and export.

According to Shanghai Mayor Huang Ju, the 45.5bn yuan needed in the first five years of development (1991-1995) has been secured and is being spent on capital infrastructure projects such as bridges, roads, telecommunications facilities as well as water, power and gas plants.

To attract investors, the mayor pledged not to change for three years the low 1991 price of land leases. He promised to complete major capital construction projects by 1995 and to cut down red tape.

While most western investors waver, domestic investors have been eager. Anhui province, one of China's leading rural provinces, has committed 1bn yuan to a capital project to get a firm foothold in Pudong.

However much Pudong is being used as a market laboratory to revitalise Shanghai, the city will continue to face problems. The authorities are concerned that higher salaries and better social protection in Pudong will create a completely different system from that in the rest of Shanghai. They fear that social and economic stability may be disturbed by a "one city, two systems" approach.

State-run enterprises have been converting enthusiastically to the shareholding system, but the legal and accounting framework is inadequate to accommodate the rapid changes.

However, reform is progressing quickly. Mayor Huang has said that, in addition to the national price reforms featuring a free market for grain and edible oil introduced last year, Shanghai would co-operate with neighbouring provinces to free prices of some industrial products such as energy and raw materials. Prices for more than 80 per cent of industrial products in Shanghai are now determined by demand and supply.

Local government officials say the idea behind these localised reforms is to attract investment and trade from all parts of the country with a free market, enhancing Shanghai's position as China's leading trading centre. It already has a stock exchange and commodities markets. National trade centres for non-staple food and non-ferrous metals were set up in Shanghai last year.

Contracts have also been signed for China's first retail joint venture with a foreign investor, involving the Shanghai No 1 Department Store and Yaohan International of Japan.

Deng Xiaoping, the 88-year-old paramount leader who is the architect of the economic reforms, has said that he regretted not having granted Shanghai the status of special economic zone, as he did to Shenzhen in Guangdong province 10 years ago, "or Shanghai would have been playing a greater role in the national economy". Yet he believes Pudong will overtake Shenzhen in vitality and contribution to the country's economic future.

Zhang Tingting is a Shanghai correspondent of China Daily

Furore over finance for Mexico party

By Damian Fraser in Mexico City

MEXICO'S ruling Institutional Revolutionary party (PRI) celebrates its 64th consecutive year in power today, embroiled in a growing furore over its financing.

The controversy has arisen over claims, first reported in El Economista newspaper, that about 30 of the country's richest businessmen had promised to give the PRI about $25m (£17.6m) each to strengthen the party's finances before the presidential election next year.

The pledges are reported to have been made at a dinner party last week in the house of Mr Antonio Ortiz Mena, former finance minister, which was attended by President Carlos Salinas. Mr Ortiz Mena this week said of the meeting: "There were people who said their group could give more, and others who said they could give less."

He stressed that the money pledged would go to a trust fund that would enable the PRI to stay independent of the government. The businessmen pledged to give on a large scale *because the PRI offered* the best guarantee of their investments, he said. Other groups, including labour unions, would also be contributing to the trust fund.

President Salinas last year promised to make the party's finances more transparent, and to put caps on campaign spending. The party finance reform, still to be debated by Congress, is meant to address the huge financial advantages the PRI has enjoyed over Mexico's impoverished opposition parties, and thus prepare the way for more open, competitive elections.

Mr Porfirio Muñoz Ledo, a leader of the opposition Party of Democratic Revolution, said of the donations: "This does nothing but lay bare the obvious – the oligarchic nature of the party and its collusion with the country's great fortunes."

The list of guests at the dinner party reads like a who's who of Mexican business. Among those present were Mr Emilio Azcarraga, the president of Televisa, Mexico's near-monopoly television station; Mr Carlos Slim, president of Teléfonos de México, the recently privatised telephone monopoly; Mr Roberto Hernández, president of Banamex, Mexico's largest, and recently privatised, bank; Mr Lorenzo Zambrano, head of Cemex, the huge cement company; Mr Bernardo Garza Sada from Alfa, the conglomerate; and Mr Adrian Sada from Vitro, the monopoly glass company.

Don Fidel Velázquez, Mexico's nonagenarian labour leader, showed irritation with suggestions that the PRI was abandoning the labour sector by soliciting money from the business sector. He said $25m did not appear to be a very large sum, and that he was willing to give the party even more.

Senator sound-bites back at the Texan billionaire gadfly over his knowledge of US economy

Perot under attack at congressional hearing

By Jurek Martin, US Editor, in Washington

DARING to criticise Mr Ross Perot is reckoned to be a risky political business these days. Early on Tuesday evening, however, Senator Harry Reid decided to buck the odds.

The billionaire from Texas, now almost as ubiquitous as he was when running as an independent in the presidential election campaign last year, had invited himself to Capitol Hill to testify (lecture was a more accurate description) before Congress on the iniquitous ways of the perk-ridden legislators and foreign lobbyists who were conspiring to export American jobs worldwide.

Warming to his task and flanked by a crowd of cheering acolytes, Mr Perot also laid into the Clinton administration, about which he had been relatively kind, accusing it of incompetent mathematics and "sound bite" salesmanship.

His particular beef was that the president's energy policy advisers were a bunch of "poets, philosophers and bee-keepers", none of whom had ever "met a payroll" or created a job in all of their working lives.

Mr Reid is the Democratic senator from Nevada. He is not reckoned a great power in Congress but, whereas his peers had alternately taken Mr Perot's punches on the chin and fawned over him, the senator decided that he had had enough.

"Ross, I like you a lot," Mr Reid tactfully began. "But, in your statement here, you gave us 45 minutes of sound bites and five minutes of detail."

Worse, Mr Perot had demeaned Mr Mack McLarty, the White House chief of staff, who was indeed from "corporate America, just like you," and from the energy sector no less.

He then accused Mr Perot of completely misunderstanding the structural nature of the US budget deficit and the caps on federal spending embodied in the 1990 Budget Act.

"I think you should start checking your facts a little more and stop listening to the applause so much," the senator admonished.

Encouraged by Mr Reid's resolution, several other heavyweight senators then presumed to suggest that Mr Perot's views were not always infused by knowledge.

Mr Perot does not like being contradicted, especially in front of his flock.

In one widely remarked incident last year, on his favourite morning television show, he had come close to losing his temper with a little old lady from Florida who bravely confessed she had not understood his answer to her question on social security.

This time, before the legislators, he bristled and blustered, and hinted darkly that Mr McLarty's tenure as chief executive of Arkla, the natural gas concern, was marked by "problems".

But, in the end, he backed off, said Mr McLarty was "a fine man", and came as close as he ever does to issuing an apology.

"I regret that anything came up where people had to fall on their swords to defend him," the Texan billionaire said.

Mr Perot then retreated, a little bruised but not bowed, to an evening television talk show, where his reception was far more amenable and where he again laid into Congress and everybody else in Washington with his customary verve.

Mr Reid, meanwhile, found himself in the unaccustomed media limelight as the man who had dared to take on Ross Perot.

Perot: likeable but ...

Gore to hunt down waste and fraud in government agencies

By George Graham in Washington

VICE-PRESIDENT Al Gore is to take charge of a six-month review of every government agency to find ways of cutting waste and fraud. He promised "significant savings" from the review, which he said would start "a revolution in government right here and now".

President Bill Clinton, announcing the review, said elimination of waste would be "a breath of fresh air for American taxpayers", who would be treated in future as customers by government agencies.

Bureaucratic waste has been a favourite target for US political candidates, and Mr Clinton promised in his campaign last year to cut 100,000 unnecessary federal government jobs and to achieve 3 per cent administrative savings in every government agency.

The Gore audit is modelled on a state government performance review carried out in Texas in 1991. That came up with 975 suggestions on ways to save up to $4.2bn from a state budget of around $30bn.

The state legislature adopted $2.4bn of these savings, helping to fill a budget deficit and avert the introduction of a state income tax for the first time in Texan history.

Some of the suggested cuts, however, aimed at programmes that were not necessarily unadulterated waste. One idea was to double the cost of tuition at state colleges.

Like the Texas review, the Gore audit will set up a toll-free telephone number to gather suggestions from the public. It will provide an important task for Mr Gore, who has taken the lead in discussions of the administration's environmental and technology policies but who, like many vice-presidents before him, runs the risk of appearing under-employed.

Trinidad strike planned in bid to save state jobs

By Canute James in Kingston

TRADE UNIONS in Trinidad and Tobago are hoping a planned general strike will force the embattled government to cancel the sacking of thousands of workers from three state-owned utilities.

The strike will compound the problems of Mr Patrick Manning, the prime minister, in keeping the struggling oil-based economy from foundering. The date for the strike is being kept secret by the unions, apparently in the hope that continuing negotiations with the government will produce an acceptable agreement.

"We are not going to indicate any date," said Mr Errol McLeod, president of the National Trade Union Centre, an umbrella for organised labour. "We wish only to announce that a general strike is very much in the offing if there is no softening of the government's position and if there is no adjustment to their economic programme, some of the effects of which we have already begun to witness."

Thousands of government workers protested in the streets last month after Mr Wendell Mottley, the finance minister, said extensive retrenchment in the public sector was inevitable. About 3,000 workers are to be sacked.

Mr Mottley said the cuts at the Public Transport Corporation, the Port Authority and the Water and Sewerage Authority were unavoidable because of their huge payrolls, falling international oil prices which were affecting the domestic economy, and a heavy foreign debt obligations.

The government has indicated that it cannot continue financing the deficits of the three companies while meeting overdue payments to government employees and servicing the country's foreign debt.

Mr Mottley said the cumulative loss by the three companies last year was TT$342m ($80m). The government is also under pressure to pay TT$3bn in arrears to its workers. The country's domestic debt has increased by 62 per cent in the last five years to TT$5.2bn, while the country's foreign debt is TT$5.8bn. The government has to pay TT$2.8bn this year in servicing its foreign debt.

Canadian banks drop prime rate

By Bernard Simon in Toronto

CANADIAN banks have dropped their prime lending rate by a quarter point to 6.25 per cent in response to big capital inflows and an accommodating monetary policy.

The new level, which matches the lowest seen in the past 20 years, takes effect today and has been accompanied by a sharp rise in the Canadian dollar. The currency climbed above 80 US cents this week for the first time since last November, and advanced yesterday morning to 80.35 US cents, despite the prime cut.

The Bank of Canada said yesterday that intervention to contain the rise of the currency resulted in a net increase of US$636m in its foreign-currency reserves in February.

Nervousness in the financial markets about Canada's economic and political prospects was evident at the time of last autumn's referendum on a new constitution. Then, banks pushed their prime rate as high as 9.75 per cent.

However, investors have since been drawn by attractive yields on Canadian securities and a perception that the country's problems may be less severe than those of many other industrial nations. Canadian borrowers have been among this year's most active Euromarkets participants.

Economists expect the prime rate to fall to at least 6 per cent and perhaps lower. But they caution that markets could be unsettled in coming months.

The spring federal and provincial budget season is likely to see unexpectedly large budget deficits, which are widely recognised as Canada's most pressing economic problem. In addition, political uncertainty may rise again during the run-up to the general election, expected in the autumn.

Venezuelan reform pledge

VENEZUELA'S President Carlos Andrés Pérez, speaking from a palace still scarred by a recent coup attempt, said the country's *political* woes would not turn him into a lame duck in his last months in office and he expected Congress to approve all pending economic reforms, Reuter reports from Caracas.

The president said on Tuesday that tax bills critical to attacking a growing budget deficit in this oil-rich nation were likely to be approved this month and other reformist legislation would be passed before December general elections.

Mr Pérez, 70, who cannot by law seek re-election, acknowledged that he has felt isolated for scrapping popular subsidies and introducing austerity policies, but he said he was undeterred even by two attempts by rebel troops to topple him last year.

US trade body decides imports are harming domestic industry

Japan rejects liquid crystal display ruling

By Michiyo Nakamoto in Tokyo and Louise Kehoe in San Francisco

A DECISION by the US International Trade Commission that Japanese-made liquid crystal displays are being dumped in the US has dismayed Japanese authorities and industry. They say they will seek a fair decision.

US computer manufacturers, too, have protested at the ruling.

The ITC ruled on Tuesday that Japanese-made active matrix LCDs "materially injure or threaten injury to the US industry", and decided to retain punitive duties of 62.67 per cent.

An official at Japan's Ministry of International Trade and Industry called the decision "extremely unfair". Japan had claimed that there was no US industry to be hurt by imports of active-matrix LCDs.

Sharp, a leading Japanese manufacturer, released an official statement deeply regretting the ITC's decision which, it said, raised many questions – from the point of view of US users as well. "We will continue to work towards a fair judgment," the company said.

In the US, Apple Computer said the ruling made no sense and vowed to continue the legal battle. "This is an 'Alice in Wonderland' decision. It defies logic," said Mr Jim Burger, Apple's director of government affairs.

The ruling upholds part of a dumping petition filed in 1990 by the Advanced Display Manufacturers of America and its member companies. That petition led to a ruling by the ITC the following year that Japanese-made LCDs harmed US industry.

However, the ITC ruled at the same time that electroluminescent LCDs were not harming US industry and that it would withdraw anti-dumping tariffs of 7 per cent.

At the time of the original anti-dumping petition, US users of active matrix displays opposed the ITC ruling on the grounds that no US maker could mass-produce active matrix LCD panels.

US users, which are dependent on Japanese manufacturers of these panels, went to the US-based Court of International Trade, which last year ordered the ITC to re-examine the case.

In seeking to reverse the ruling, Japan could resort to an appeal to the Court of International Trade or ask the Gatt to set up a panel.

LCD flat panels, which are widely used in laptop and notebook computers and medical equipment, are one of the most promising growth areas in electronics.

Computer company to set up in Ireland

By Tim Coone in Dublin

SUN Microsystems, the California-based manufacturer of computer workstations and peripheral devices run on the Unix operating system, is to set up a new software subsidiary in Ireland.

Called Sunsoft, it will open in Dublin this summer and will eventually employ 200 people, developing and localising software specifically for Sun's systems sold in Europe. That market accounts for some 30 per cent of its worldwide hardware sales.

Sun is a market leader in "open systems" workstations. Demand for these has grown rapidly over the past two years, as the trend by users to "downsize" from mainframes has accelerated.

The development of complex and powerful new software for multimedia applications is seen by the industry as vital to the development of the workstation market.

Sun's move into Ireland has been welcome news for the government, following the announcement last week by Digital Equipment, another US workstation manufacturer, that it is to consolidate its European manufacturing in Scotland, with the loss of 780 jobs in Ireland.

Mr Ruari Quinn, Ireland's enterprise and employment minister, said the Sun decision "demonstrates clearly that Ireland has the edge when it comes to software development expertise".

White House to back US chip makers

By Louise Kehoe in San Francisco

THE Clinton administration is ready to take a tough stand on the long-running semiconductor trade dispute with Japan, Mr Ronald Brown, commerce secretary, told US semiconductor industry executives visiting Washington this week for their annual caucus.

"When every market in the world, outside Japan, prefers your products, I have to conclude that we are facing unfair trading barriers. We expect Japan to live up to its agreements," Mr Brown told members of the Semiconductor Industry Association, who gave him a standing ovation.

Under a 1991 trade agreement between the US and Japan, the Japanese government recognised US "expectations" that the foreign share of the Japanese semiconductor market should rise to at least 20 per cent by the end of 1992. The pact was an extension of a similar 1985 agreement.

Since 1991, the foreign chip maker's market share in Japan has crept upward, reaching almost 16 per cent in the third quarter of 1992. Data for the fourth and final quarter of the period covered by the agreement is expected in about two weeks.

However, the industry expects the market share figure, upon which Japan's compliance with the market opening agreement is measured, to rise. Strong sales of US-made microprocessors in the growing Japanese personal computer market may boost the fourth quarter figure by more than 1 per cent.

Disputes over how market share should be measured, including whether the internal transfer "sales" of IBM and other US computer companies to their Japanese subsidiaries should be counted in the trade data, might bring the disputed market share figure within range of its target.

This has created a dilemma for the US chip makers, who for the first time in their decade-long trade battle find that they have friends in the White House.

In the past, the SIA has seldom hesitated to raise the spectre of trade sanctions against Japan. Now, however, the industry seems hesitant to push the Clinton administration into applying sanctions that would inevitably be seen as the beginning of a "trade war" with Japan.

There is no question, however, that the industry will demand sanctions if the market share figure falls short of expectations. The industry group already has a list of proposed Japanese import targets. The group was encouraged by Mr Brown's remarks.

"A few years back, unfair trading practices in the Far East almost destroyed the American semiconductor industry. It took harsh action to end Japanese dumping. We must be prepared to act again – in Japan or any other market," Mr Brown said in reference to trade sanctions imposed by President Reagan against Japan in 1986 when Japan was deemed to have failed to live up to the original US-Japan semiconductor deal.

"We expect Japan to live up to its agreements. I will work closely with you to evaluate their performance against the objectives of our agreements. We want to ensure that the Japanese market is open so that we can achieve a market share commensurate with our worldwide competitive position."

Mr Brown also assured the semiconductor industry group that the Clinton administration will continue to fund Sematech, the semiconductor industry consortium that for the past five years has received half its annual budget from the Pentagon's Defence Advanced Research Projects Agency, over the occasional objections of Bush administration officials, and the remaining half from industry members. Sematech is a model for the Clinton administration's technology policy, Mr Brown said.

Irish plan to boost exports

By Tim Coone

THE IRISH government is planning to increase exports from indigenous Irish companies by 50 per cent over the next four years, from I£3.7bn (£3.8bn) to I£5.5bn, with growth coming in particular from the mainland European market.

Mr Charlie McCreevy, the trade and tourism minister, said: "I see the main growth opportunities coming from continental European markets as Irish industry accelerates its diversification from its traditional UK market."

McCreevy: targeting Europe

The government is to provide an additional I£12m in finance over the next three years, to enable exporting companies to increase their full-time sales forces working in Europe, to take on additional customer support staff with business and language skills and to part-finance 10 new group marketing schemes.

Mr Conor McCarthy, Irish Trade Board chairman, said: "We have an urgent need to build stronger market positions in mainland Europe... the sterling depreciation in September put Irish manufacturers in difficulty, not just in Britain, but right across our whole market-place spectrum."

He said that the 10 per cent devaluation of the punt in January "does not represent a return to the status quo". He pointed out that the proportion of Ireland's trade affected by the weakness of sterling is greater than at first estimated because of the pricing in sterling of many transactions with the Middle East, Africa and the Far East. Around 31 per cent of Ireland's exports go to the UK.

Despite such difficulties, the board says Ireland has continued to gain share in most of its main markets during 1992.

Turks in Uzbekistan telecoms venture

By John Murray Brown in Ankara

TELETAŞ, Turkey's second largest telecommunications equipment manufacturer in which Alcatel of France has a 39 per cent stake, has formed a joint venture to install digital public exchanges in Uzbekistan, the latest move by Turkish telecom companies into the Turkic-speaking former Soviet republics.

The joint venture between Teletaş and Algorithim, a local Uzbek company, will start delivering Alcatel's System-12 public exchange, which Teletaş makes under licence in Turkey. The project will initially install 70,000 lines in eight Uzbek cities, eventually leading to full manufacture of the exchange by Altel, the joint venture company.

The deal follows similar moves by Netaş, Northern Telecom of Canada's majority-owned Turkish subsidiary, and Simtel the local Siemens operation. Progress has been spurred by a $25m (£17.6m) Turkish government aid project to provide digital public exchanges in all five Turkish-speaking former Soviet republics. Teletaş installed a 2,500 line exchange in both Tashkent, the Uzbek capital and Bishkek, capital of Kyrgyzstan.

Teletaş say they hope also to manufacture the Levent, a small rural switching system, designed in the company's Istanbul laboratory.

Trading with purpose

Kevin Brown looks at Australia's promotion effort

DO trade promotion organisations boost exports by improving access to overseas markets or do they impose a bureaucratic barrier between businesses and potential customers? Under pressure to improve performance and cut costs, the Australian Trade Commission (Austrade) is trying to find out.

Austrade was set up in 1986 to combine several government organisations in a "one stop shop" to provide assistance to Australia's export effort. But a 1991 review by McKinsey, the management consultants, suggested the experiment had failed. McKinsey found the organisation bureaucratic, top heavy and unfocused. Its report said Austrade was failing to justify its A$127m (£60.40m) budget, and concluded that changes would be required to justify its continued existence.

Mr Ralph Evans, chief executive since July 1991, says the points made in the McKinsey report have been absorbed. Many staff have been relocated overseas to increase direct contacts in overseas markets. More managers, including Mr Evans himself, are being recruited from the private sector. And resources are being diverted from "easy" markets such as the UK and US to "difficult" countries in Asia and Eastern Europe, where McKinsey thought Austrade could provide services that companies were unlikely to establish for themselves.

Austrade is also paying increasing attention to the Asia/Pacific region, which most forecasters expect to play an increasingly important role in Australian trade. The run-down of activities in Australia and other English-speaking countries has helped provide resources to increase representation in Beijing, Hong Kong, Singapore, Jakarta, India, Bangkok, and Vladivostok, in Russia's resource-rich Far East which was still closed to most foreigners less than two years ago.

Operations in Japan, by far the most important of Australia's trading partners, have been boosted by four regional offices to support the main representation in Tokyo and Osaka.

Mr Evans says his goal is to make Austrade as much like a private company as possible. "We are trying to encourage a culture of enterprise that is oriented towards results, towards actually making a bit of difference to Australia's export business," he says.

Austrade representatives used to spend much of their time compiling economic statistics and marketing Australia as a whole. Now they are encouraged to bring buyers and sellers together and organise, for example, flexible credit terms for cash-starved buyers in newly-liberalised economies. Sometimes trade commissioners have played an important role in spotting opportunities for Australian companies, and finding partners in big contracts.

There have been some successes. The Beijing office spotted an opportunity to develop an air traffic control system for 50 Chinese airports, and helped find a local joint venture partner for AWA, the Australian electronics group, which subsequently won the contract against stiff competition.

In Hungary, Mr John Charody, a trade commissioner recruited from the private sector, helped put together a series of agreements under which Australian companies will supply thousands of games machines, and set up a national lottery and a chain of computerised betting offices.

McKinsey suggested that Austrade had played a "worthwhile" role in exports valued at A$3.5bn over three years, and argued that the total could be improved. But assessing the impact of trade promotion is more difficult than adding up the value of goods or services sold. Trade promotion organisations have relied on indirect indicators such as the number of trade displays or the number of meetings facilitated by representatives. But such indicators reveal little or nothing about the amount of business which gets done.

The alternative approach being adopted by Austrade is to assess the value in terms of sales or contracts of efforts on behalf of specific companies. But as Mr Evans points out: "We have got to set up some criteria... to decide whether we have helped a lot in specific cases, or just at the margins."

Austrade has commissioned an independent investigation to cross-check the results with the companies. Also, exporters will be asked whether they are getting good value from Austrade's offices.

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BA seeks Branson silence in peace deal

By Paul Betts and Michael Cassell

BRITISH AIRWAYS is demanding that Mr Richard Branson, head of Virgin Atlantic Airways, sign a pledge banning him from ever making any public referance to BA's "dirty tricks" campaign as part of a final settlement of their bitter dispute.

Virgin, in turn, is understood to have asked for signed commitments from BA not to indulge in any further anti-competitive practices.

According to sources the two airlines are refusing, so far, to yield on these issues but are understood to have agreed in principle on a £9m cash compensation offer to Virgin made by BA on Monday to settle the dispute.

As the two sides remained locked in tense negotiations, Sir Colin Marshall, chairman of BA, and Mr Robert Ayling, the airline's managing director, last night came under pressure from some MPs at a private meeting of the House of Commons all-party Aviation Group.

Opposition Labour MPs alleged that BA's activities against Virgin had damaged the reputation of UK civil aviation and demanded assurances that the airline would never repeat such behaviour.

Mr Ayling renewed BA's assurances that the "dirty tricks" involved a small number of incidents and employees. Mr Peter Mandelson, Labour MP for Hartlepool, dismissed the explanation as "implausible".

Pressed by MPs to spell out his role in the affair, Sir Colin said any BA activities against Virgin "had not been authorised by any director of Britain's flag-carrier."

Asked about reports that BA was still conducting covert operations against Virgin in the US, Mr Ayling said that a full investigation into the latest allegations of passenger poaching was under way.

Sources close to the talks said last night that, unless the outstanding issues are quickly resolved, the lengthy and difficult negotiations between the two airlines risk collapsing.

Virgin rejected BA's £9m offer on Tuesday after Mr Branson was asked to sign a pledge he would remain permanently silent on BA's controversial campaign against his airline.

Under the offer he would have to consult BA's chairman before making any statement concerning relations between the two airlines.

It is now more than a month since Mr Branson and Sir Colin met to try to settle the dispute following Virgin's libel victory in January.

Although Virgin won £610,000 in libel damages from BA and a public apology, Mr Branson has repeatedly threatened to take further legal action against BA unless he secured satisfactory compensation for the commercial damages inflicted on his company by BA's undercover activities.

Lotus to join Taiwanese car engine project

By John Griffiths

GROUP LOTUS, the Norfolk-based sports car and engineering concern, is to help develop car engine production in Taiwan.

The contract, which the company said yesterday would be worth "quite a few millions" over several years, may make more difficult a decision by General Motors whether to sell Lotus, which it has owned since 1987.

GM has been approached by several interested parties, including a management team led by managing director Mr Adrian Palmer, about the purchase of all or parts of Group Lotus.

The approaches have followed a decision last year to abandon production, after less than two years, of the Elan small sports car which Lotus had hoped to sell at a rate of 3,000 a year.

But the car was widely regarded as much too expensive and never came close to its sales targets. As a result Lotus Cars, the car-making division which now produces only the very low volume Esprit "supercar", has been heavily loss-making for the past two years. It now employs only 200 people - one third of 1991 levels.

Lotus Engineering, the consultancy division which has won the Taiwan contract, earned more than £30m in 1991 and is understood to have again made substantial profits last year, although figures have yet to be released by GM.

It is now substantially larger than the car-making side of the business, with 500 employees.

They will be the beneficiaries of the Taiwanese deal, which involves technology transfer by Lotus to the Taiwan government-backed Industrial Technology Research Institute (ITRI).

Four Taiwanese car makers - Yulon Motor, China Motor Corp, San Yang Industry and Yeu Tyan Machinery Manufacturing - are also taking part in the project, which aims to bring into volume production a range of 1.2 and 1.6 litre car engines by 1997.

Taiwanese officials said the project would help to upgrade the island's car industry and reduce its reliance on imports of components from Japan.

General Motors' dilemma is that while it would probably be glad to be rid of the loss-making cars side of the business, it is one of the biggest customers for Lotus Engineering's design and development services.

The closure or running down of Leyland Daf plants in would have knock-on effects on 6,000 companies across Britain – including the constituencies of at least 19 government ministers, Labour says today. Mr Robin Cook, the opposition industry spokesman, says a dossier of Leyland Daf's suppliers shows one company in every 150 would be hit. He said: "If any Conservative MP thought that Leyland Daf was not their problem, then this dossier shows that they had better think again."

Ian Maxwell pays £500,000 to avoid bankruptcy

By John Mason, Law Courts Correspondent

MR IAN Maxwell yesterday avoided the threat of bankruptcy when he made a last minute payment of £500,000 to the liquidators of Bishopsgate Investment Management, the former managers of the Mirror Group pension funds.

Mr Maxwell, son of the late media magnate, had been ordered to pay the money last December after a judge ruled he had breached his duty as a BIM director by agreeing to the transfer of shares worth about £580,000 to Credit Suisse without obtaining an assurance that the BIM board had approved the transfer.

The bankruptcy proceedings were set in motion after Mr Maxwell's lawyers indicated he could not afford the payment.

Five minutes before yesterday's hearing, however, Mr Maxwell handed over a banker's draft for £500,000 to Miss Margaret Cole, of Stephenson Harwood, the solicitors acting for BIM. He also agreed to pay the substantial legal costs of bringing the bankruptcy proceedings against him.

His payment of the money prompted speculation about the origin of the funds and the apparent change in his financial circumstances.

The liquidators would continue their claim against Mr Maxwell for the outstanding balance of £80,000, plus interest since September 1991, Miss Cole said. They would also be considering the position regarding their outstanding claim for more than £400m against Mr Maxwell.

Ian Maxwell arrives at the High Court yesterday, where he paid £500,000 to avoid bankruptcy

Britain in brief

Liquor and tobacco rules to cost £250m

New single market personal allowances on liquor and cigarettes carried into the UK from other European Community countries are expected to cost the government £250m in lost duties, the Commons trade and industry committee has been told. Mr Michael Knox, head of the Customs and Excise Single Market Unit, was unable to estimate possible losses to the exchequer from illicit trade in tobacco, wines and spirits, but said 150 extra customs officers had been deployed to clamp down on illegal sales.

Index to include holidays

Overseas holiday costs will be included for the first time in the February retail price index, which will be published on March 19. The council tax, which will be treated as an indirect tax on housing, will be included in the RPI from April, when it replaces the community charge.

N-waste store may be larger

Nirex, the controversial planned store for nuclear waste at Sellafield, might have to be 10 per cent larger than currently expected if British Nuclear Fuels wins backing for its proposals for treating overseas customers' nuclear waste.

Under proposals for "waste substitution" being considered by the government, BNF would send back to foreign customers' a greater degree of high-level radioactive waste, but keep the much more bulky low and intermediate level waste in Britain.

UK may send subs to Canada

Britain has made preliminary contacts with Canada on the possible transfer of the Royal Navy's latest diesel-powered patrol submarines.

The move would be part of a plan to find equipment savings to match the £1bn cut decided last November in the UK defence budget over the next two financial years. The ministry would not not comment on the content of its discussions with the Canadians.

Flexibility on water urged

Water companies called for more flexible standards on drinking water and warned that complete elimination of lead from water could cost £8bn. The Water Services Association said it accepted the World Health Organisation's new tighter guidelines on lead in water but warned that much of the £8bn cost would fall on householders.

Tourist visits at new record

A record 18.1m overseas tourists visited the UK last year, the British Tourist Authority reported. The total, which included 11.56m from western Europe, was 9 per cent higher than in 1991.

No new charges in Iran scandal

By Richard Donkin and Ralph Atkins

MR ALAN CLARK, the former defence minister, will not be prosecuted over evidence he gave to the Matrix Churchill trial at the Old Bailey in November, the Crown Prosecution Service announced yesterday.

The announcement led to accusations by Mr Robin Cook, Labour's trade and industry spokesman, last night that the government had deliberately engineered the decision because it was afraid Mr Clark would have revealed more details of ministerial involvement in the affair.

He said: "Alan Clark knows a lot about ministers' involvement in the arms-to-Iraq scandal. The government appears to have backed off from prosecution because they were scared that he might have continued to tell the truth in the court room."

The Matrix Churchill affair provoked a political storm last November with Mr John Major forced to defend the government against accusations that ministers had mis-lead the Commons. The outcry led to the setting up of an inquiry into trade with Iraq led by Lord Justice Scott.

The £3m trial collapsed when the prosecution said that Mr Clark's evidence in court had not been consistent with earlier statements to the Customs and Excise.

Scotland Yard was asked to investigate apparent inconsistences in Mr Clark's evidence but the CPS said yesterday that the police had been "unable to establish with sufficient certainty which of the inconsistent statements made by Mr Clark was not true". Mr Clark said he had not at any stage been interviewed by police after the trial. He agreed that it was surprising that he had not been interviewed.

£1.8m campaign aims to win 5% of US imports

Export drive targets decline in US trade

By David Dodwell, World Trade Editor

BRITAIN today launches its "North America Now" campaign, one of its most ambitious export promotion campaigns ever, aimed at reversing a long-term decline in its share of the US market and forging new joint ventures for medium-sized companies.

Mr Michael Heseltine, trade and industry secretary, rejected criticism that the campaign may be poorly timed, as a new US administration is drawing up potentially protectionist trade policies.

Timing could not have been better, he said. Sterling's devaluation had boosted opportunities for exporters, and there was clear evidence that the US and Canada were emerging strongly from recession.

The £1.8m, three-year campaign comes after five years when the European single market has been the main focus of export strategy.

No formal target has been set, but the government hopes the UK share of US visible imports can be lifted from 3.8 per cent to 5 per cent by 1995, boosting exports in money terms by about £3bn a year from the current £12.2bn.

Innovative elements of the campaign include:

Michael Heseltine: denies campaign poorly timed

● The targeting of 20 US sectors, including services, motors, giftware, mail order, food and drink, airport equipment, construction and clothing, with 50 events are planned in North America over six months focused on export opportunities in these sectors. Nine "export promoters" seconded to the DTI from the private sector will work with prospective exporters as part of the campaign.

● An education programme including 10 scholarships a year at the J.L.Kellogg School of Management in Chicago and workshops on issues such as how to reduce market entry overhead costs, and US sales practices.

● Price Waterhouse, the accountancy firm, will work to forge "strategic partnerships" as outlined below.

● A "big companies partnership", involving discussions with leading exporters to the US aimed at discovering where the government can assist in overcoming trade barriers, or defining how US trade and investment fits into their overall growth strategy.

Regional initiatives will range from backing a partnership between the oil regions around Calgary and Aberdeen, to a sectoral initiative between Wales and Ontario.

There will also be an "America Week" in Birmingham this month to coincide with British Airways' inaugural direct flight to New York.

The US is Britain's third largest export market, behind Germany and France, accounting for about 13 per cent of visible exports last year.

The UK is the largest foreign investor in the US, with a cumulative total of £106bn – more than a quarter of aggregate foreign investment in the US. It is also the leading exporter of services to the US, earning £9bn in 1992.

Transatlantic alliances sought

By David Dodwell

PRICE WATERHOUSE, the accountancy and management consultancy group, has been given a key role in the "strategic alliances" initiative at the core of the government's "North America Now" campaign.

Its task will be to work with about 50 medium-sized UK companies a year with the aim of introducing them to up to three prospective US partners. The aim over the three-year campaign will be to forge 10 to 15 successful partnerships each year, generating earnings towards the UK balance of payments amounting to £30m.

"These companies will not be beginners," said Mr Ian Guthrie, partner at Price Waterhouse responsible for the project: "They should have between 100 and 500 staff, a turnover of £10-50m, and a good foothold in the US market already.

"The main challenge is to try to bring to the middle-sized company the type of services that would normally be available only to larger companies," he added. "Without these rigorous support services, company initiatives often fade out because smaller firms lack the internal dynamic to bring them through."

Price Waterhouse has 46 professionals based in the US, with offices in New York, Boston, Atlanta, Dallas, Los Angeles and Chicago. These will provide the platform from which the search for US partners is launched.

No UK companies have yet been earmarked. This process will begin on April 1, when the scheme is launched formally. Price Waterhouse to be paid £186,000 a year by the government as a contribution to the cost of its "match-making" work. Individual companies can expect to spend between £10-15,000 of their own funds if they successfully complete the process of finding a strategic partner in the US.

Britain wins '21 per cent' of American investment

By Emma Tucker

THE UK has enjoyed more US overseas direct investment since 1987 than any other country, according to a study released yesterday.

Some 21 per cent of US overseas investment came to the UK which also received 9 per cent of Japanese overseas direct investment, ahead of any country except the US. Within the European Community the UK benefited from 41 per cent of total Japanese investment over the past three years.

The study, by the Centre for Economics and Business Research on behalf of the Confederation of British Industry, shows inward investment has become an important component of total investment in the UK with nearly one-fifth of the £220bn invested in British industry since 1987 coming from overseas.

The motivations of US and Japanese companies were different, according to the study. US investors were aiming more at UK domestic markets and specific opportunities in the finance and oil sectors, while Japanese companies were pursuing access to EC markets.

The study concludes that the spurt in US investment may have ended, with much of the growth in the late 1980s reflecting companies' desire to "catch up" with the UK's growth. Future US investment will be restrained by the lagged effects of the UK recession, says the report.

Companies from both countries, but particularly Japan, said the UK's failure to ratify the Maastricht treaty and the perception that the country was in the second tier of a two-speed Europe would have some negative effect on investment. About 40 per cent of investors said withdrawal of the UK from the single market would have a "major negative effect" on investment.

US and Japanese Investment in the UK and the UK's links with the EC, Centre for Economics and Business Research, 18 Kent Terrace, London NW1 4RP.

Measure of success: John Major warns "producing quality is not an optional extra in the '90s. It is absolutely essential for success."

Prime minister urges aggressive competition against overseas products

Major criticises 'British disease'

By Charles Batchelor and Philip Stephens

MR JOHN MAJOR yesterday renewed his attack on the "British disease" of talking down achievements and presenting an image of a nation in decline.

Speaking at a conference on British style, quality and innovation organised by the Walpole Committee, a group of companies in the upmarket goods and services sector, he urged companies to be more aggressive in promoting their products against overseas competitors.

"Perhaps we have played at being gentlemen in industry and commerce for too long," he said. "We need to join the players."

Stressing the importance of quality, he added: "Producing quality is not an optional extra in the '90s. It is absolutely essential for success."

Mr Major's comments marked the latest shot in a determined campaign by 10 Downing Street to "talk up" the economy's prospects.

While the Treasury has been reticent about claiming that the recession has ended, the prime minister is voicing optimism that recovery is already under way.

His concern is that what he termed the "British instinct for self-deprecation" could undermine the upturn in consumer and business confidence needed to sustain rising demand.

The prime minister, who returned last month from a trade mission to Saudi Arabia, said he would take more businessmen overseas with him on trips in future if it helped to open doors.

The Walpole committee was set up last year and has 20 members. It aims to focus international attention on British excellence and style in the manufacturing, service and creative fields and to create a working body to help companies in the sector to grow.

The committee is named after Sir Robert Walpole, the first British prime minister, known for his trade promotion.

A survey of the chairmen and managing directors of 35 companies in the quality goods area showed 78 per cent thought it helpful to have products marked "Made in Britain" while 9 per cent disagreed.

The four sectors which UK companies felt were most associated by foreigners with British style and quality were "classic clothing," china, retailing and food and drink.

However, 55 per cent of respondents felt British companies in the quality goods sector were losing out to foreign competition. Sixty one per cent of respondents said the main strength of British companies was their branding.

Mr Ivor Owen, director-general of the Design Council, said that while the image created by Britain's upmarket companies was one of permanence, tradition and craftsmanship, they were operating in an extremely a fast-changing market place.

Walpole Committee members include George Ballantine, the whisky maker; J. Barbour, manufacturer of country clothing; Chewton Glen, the country house hotel; Holland & Holland, gunmakers; British Airways, the Savoy Hotels and the Financial Times.

SUCCESS STORIES

" Amongst your members are a large number of success stories. I hope you will forgive me if I single any of you out, but I think it helps illustrate how wrong the gloomsters are:
The Financial Times has increased its circulation [overseas] in the last five years by 67 per cent, and since printing began in Japan two years ago, sales there have grown by 135 per cent.
William Grant continues to expand in their export markets and they have now made Glenfiddich famous worldwide as a symbol of quality.
Dawson International, owners of Pringle and Ballantynes, are competing and succeeding in Germany and in Japan. I would stretch these examples across wide areas of British industry and endeavour. "

— John Major

MANAGEMENT: MARKETING AND ADVERTISING

Pepsi-Cola is battling for Europe's taste-buds with the launch of its new diet drink, writes Guy de Jonquières

Clash of the cans

The cola wars are hotting up again and this time the main battleground is Europe. This week, Pepsi-Cola opened up a new front in the offensive by unveiling a secret weapon: Pepsi Max, a diet cola designed to taste like the original product.

The product, to be marketed initially in Britain and Italy, is the first developed by the company specifically for non-American consumers. If it succeeds, it is likely to be followed by others which acknowledge that tastes in the US are not always shared in the rest of the world.

The primary target is a share of Coca-Cola's international sales. Three times larger than Pepsi's, they provide more than two thirds of Coke's turnover and three quarters of its operating profits. But Pepsi believes Max can also expand the total soft drinks market, particularly in Europe and Latin America where cola consumption is a fraction of US levels.

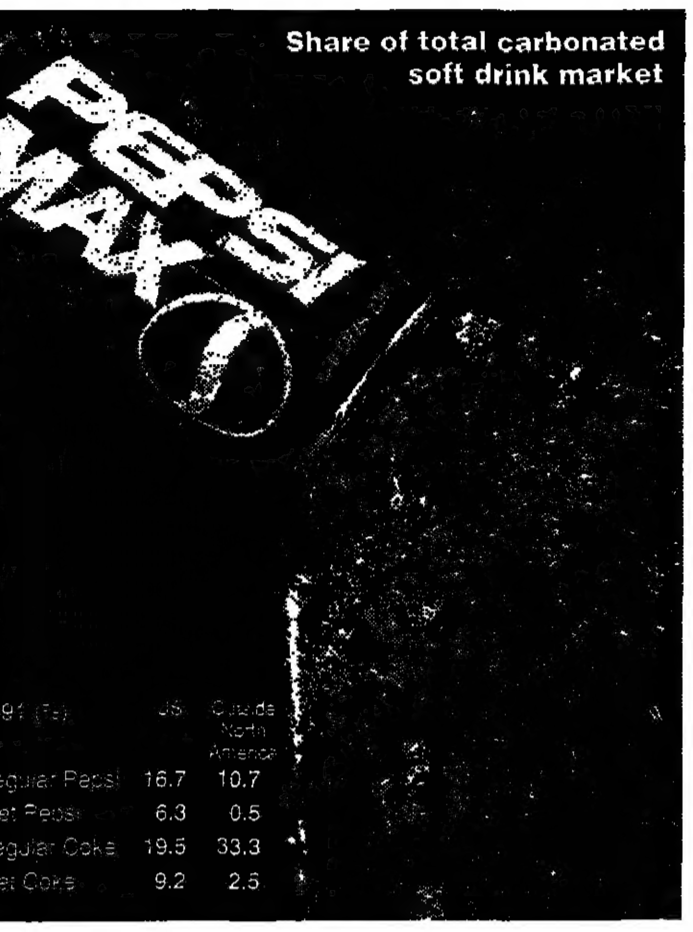
"This is more than just a line extension that will shift shares between brands. The aim is to create a new market segment," says Don Holdsworth, vice-president of marketing at Pepsi-Cola International (PCI). "We can make a huge leap forward and have a superb opportunity to open up markets where diet colas have never taken off."

His confidence is underpinned by the lengths to which Pepsi has gone to ensure success. In bringing Max to market, the company turned its traditional approach to innovation and marketing on its head. For the first time, it sought to discover at the outset what consumers really wanted and then created a product around it.

"In the past, we would bring in a product and see if people liked it," says Holdsworth. "In this case, everything was open from the beginning. We didn't start out with a product, a concept or an advertising campaign."

The story began 18 months ago when Pepsi set itself the challenge of wooing international soft drinks consumers who were health-conscious but disliked diet colas. Though a quarter of US soft drinks consumption, diet colas are less than 4 per cent of the market in the rest of the world. Since diet drinkers imbibe 13 per cent more on average than consumers of regular colas, that translates into a big loss of potential sales.

Market research among non-US consumers who had tried, but rejected, diet colas revealed two main problems. One was the distinctive, slightly bitter, after-taste left by artificial sweeteners. The other was image. Many consumers, particularly in Latin countries, regarded diet products as effeminate or associated them with disorders such as diabetes and obesity.



1991 (%)	US	Outside North America
Regular Pepsi	16.7	10.7
Diet Pepsi	6.3	0.5
Regular Coke	19.5	33.3
Diet Coke	9.2	2.5

However, the research was frustratingly imprecise. It could not establish exactly what it was about the flavour consumers disliked – or what they would prefer – because they all used different words to describe tastes and flavours.

To crack the problem, Pepsi set up panels of volunteers from its research centre and instructed them to define a common vocabulary to describe subtle variations in the taste and "mouthfeel" of colas. After six months of carefully controlled tests and cross-checking with consumers, the panels broke down into four separate elements what the public meant by "after-taste".

Armed with this information, Pepsi's chemists went to work. Using a new blend of basic ingredients, injecting a "top note" flavour and adding ASK – a new sweetner not yet approved in the US – to the standard aspartame, they were able to devise a sugar-free formula with a muted after-taste which went down well in consumer trials.

The next task was to find a suitable name and packaging format – again in close consultation with consumer "focus groups" in the target markets. Out of a list of 13 possible names, which included "Bold", "Plus" and "XT", the choice came down to "Max" and "Pepsi One". The former was picked because it suggested maximum cola taste and carried across different languages.

The search for the right packaging also began with a clean slate. Products bearing the Pepsi brand have used red and blue colours since the 1930s, since when there have only been four packaging redesigns. "Until now, colour design was more heritage than anything else," says Mark Blecher, manager of the Max project.

He decided for the first time to test alternatives by asking consumers what different-coloured cans evoked. It turned out that everyone associated red cans with coke and red and blue with cola, but that adding other colours simply confused people. It was decided to stick with Pepsi's traditional livery, albeit re-styled for use with Max.

The final – and in some ways trickiest – decision was on the advertising campaign. Prompted by market research which suggested that Max required an adventurous, masculine image, Pepsi commissioned two commercials featuring rock-climbers and sky-divers. The company's executives pronounced them a success. However, test audiences voted them boring.

Pepsi went back to the editing room and jazzed them up. As an insurance policy, it also re-shot an existing commercial for Mountain Dew – a soft drink sold mainly in the US – substituting cans of Pepsi Max. In the end, this proved to be the one viewers liked best, though Pepsi may still use the other commercials in some markets.

The company is keeping its options open about how fast it rolls Max out internationally and whether it will become a truly global brand. Much will depend on the results of test-marketing in Britain and Italy, chosen because of their widely different patterns of soft-drink consumption.

However, Holdsworth insists that Max is destined to become a leading product line. "We are not talking about 5 per cent of the market – if it only got that, something in the development process would have gone awry. It is a long-term brand, we expect it to be on the market permanently."

He is confident that, if Max succeeds, Pepsi will have the market to itself for some time. Coke's large share of international soft drinks sales, he argues, means it would stand to gain little volume if it launched a rival drink, and would risk cannibalising its product range.

Toasting the appeal of cider

A wider variety has helped revitalise sales and attract more consumers, reports Philip Rawstorne

Cider is the fastest growing sector of the UK drinks market. Intensive brand advertising, increased distribution through pubs and supermarkets and lower excise duties have contributed to the growth. However, cider sales have been driven in particular by a vigorous, industry-wide programme of new product development which has attracted new consumers and revitalised the appeal of older, mainstream brands.

Since 1988, the industry has shown remarkable vitality in raising sales 36 per cent to 84m gallons a year with an estimated retail value of £750m. Even in the face of recession last year, volume sales increased nearly 10 per cent while beer consumption declined 3 per cent.

Until the early 1980s, consumers were offered little choice beyond dry and sweet cider. Then Merrydown, the small, Sussex-based cider-maker, established a premium segment. Unable to compete against the mainstream volume brands, such as Bulmer's Strongbow and Woodpecker and Taunton's Dry Blackthorn, Merrydown carved out a higher-margin niche for its bottled vintage cider, which it packaged and positioned as an alternative to wine.

It was several years, however, before the rest of the industry began to exploit the opportunities, opened by Merrydown, to move cider into the more fashionable sector of the drinks market.

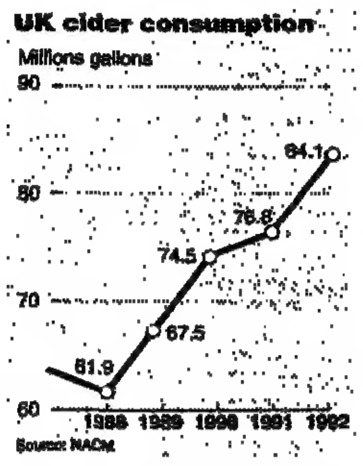
Taunton started the push for growth through the development of new products in 1986. Diamond White, a bottled, strong white cider, was introduced as a competitor to premium lagers. It was an instant success. Today, with Diamond Blush, a pink-tinged, lower-strength cider aimed at women, the brand dominates the premium sector and is still growing strongly.

Taunton followed with the launch in 1989 of Red Rock, a draught cider made less gassy and acidic for "session" drinking and aimed once more at young lager consumers. Supported by £5m of quirky advertising, it has secured a 3.5 per cent share of the draught cider market.

"Fermented apple juice can provide a basis for an extraordinary range of drinks of different colours and tastes," says Andy Nash, Taunton's marketing director.

Learning from Taunton's initiatives, the rest of the industry quickly widened the search for new ways of presenting its basic product and the pace of innovation accelerated. It sought ideas by investigating trends in international drinks and consumer goods markets as well as in the UK.

"Talking to consumers can help to identify gaps in the market and enable you to design products to fit them," says Elaine Robinson, marketing director for Gaymer Group, the industry's third-largest company. "But you have to look elsewhere for the big ideas, the leaps of imagination that really change the market."



Gaymer, anticipating the revival of real ale in the UK, introduced Addlestone's, a cask-conditioned cider. But it drew inspiration from the port wine industry for the 1988 launch of K, a strong, dry, bottled cider. Packaged in a matt black bottle, labelled with a bold red K, it is aimed at young, style-conscious drinkers. It is the most expensive cider, selling at up to £2.50 a bottle, but it is already in the top four premium brands.

Gaymer and Merrydown have now joined forces to push another new product, Merrydown's vintage draught, in the UK pub market.

Bulmer, the industry leader, concerned primarily with the distribution and marketing of Strongbow and Woodpecker, its big volume brands, reacted slowly to Taunton's new product introductions. It launched Max, Strongbow Super and 1080 as premium products; and all readily found profitable niches.

But it is only in the past two years, with a development team under Gray Olliver, Gaymer's former marketing director, backed by a £2.5m technical research centre, that Bulmer has focused on new products.

They have been pouring on to the market at an impressive rate. Scrumpy Jack, a half-forgotten brand owned by Bulmer's subsidiary, Symonds, was subtly refined and revived. With promotional support of only £500,000, it has already overtaken Red Rock to become the leading premium draught cider.

Discovery, made from the first apple pressing, has been introduced as a lightly sparkling "cider nouveau". There has been another premium bottled product, 1727, and Hockhams, a wine alternative.

Black Jack, now being test marketed, combines cider with extracts of malt and yeast. From its Stassen subsidiary in Belgium, Bulmer is introducing ciders flavoured with natural fruit juices.

Olliver says he is now investigating the use of cider as a base for higher-strength aperitifs and liqueurs.

With consumers eager for choice and more adventurous in their tastes, Taunton's output of new products shows no signs of flagging. It brought five products to market in seven months last year: Brody, a golden cider which sold 1m bottles in six weeks after its launch; Applewood and Moonstone, adult long drinks; Frès, a light sparkling cider; and Drum, a white perry.

All this activity has not only helped lift the overall cider market but has increased the premium sector from 2 per cent in 1986 to 16 per cent last year.

TECHNOLOGY

Louise Kehoe looks at moves in the US to establish high-definition television standards

A blurred vision of the future

Couch potatoes take note. The technical standards that may determine the quality of the television pictures you can watch for the next several decades are about to be decided in Alexandria, Virginia, a suburb of Washington DC.

This is the site of tests conducted by the Federal Communication Committee's advisory committee on advanced television. For the past year it has been a hive of activity as four industry groups have competed to display the clearest and brightest television pictures.

While the task facing this panel has been to select technical standards for the US, it appears their decision may also strongly influence high-definition television standards in Europe, in the wake of the disintegration of European Community efforts to develop a home-grown version of HDTV.

Exhaustive – and, according to participants, exhausting – tests of five proposed versions of HDTV (two from one of the groups) have not yet produced a clear winner. Last week, the FCC panel, which represents the biggest companies in US television, deferred a decision, urging three of the four groups involved to unite in an effort to set a "world-leading standard" for HDTV.

The panel concluded that each of the proposed systems had some shortcomings. One system, from NHK, Japan's public broadcasting corporation, was ruled out because it uses analogue technology. The FCC had already indicated its preference for a digital system, which will transform the TV set into a multi-purpose display for TV and computer images.

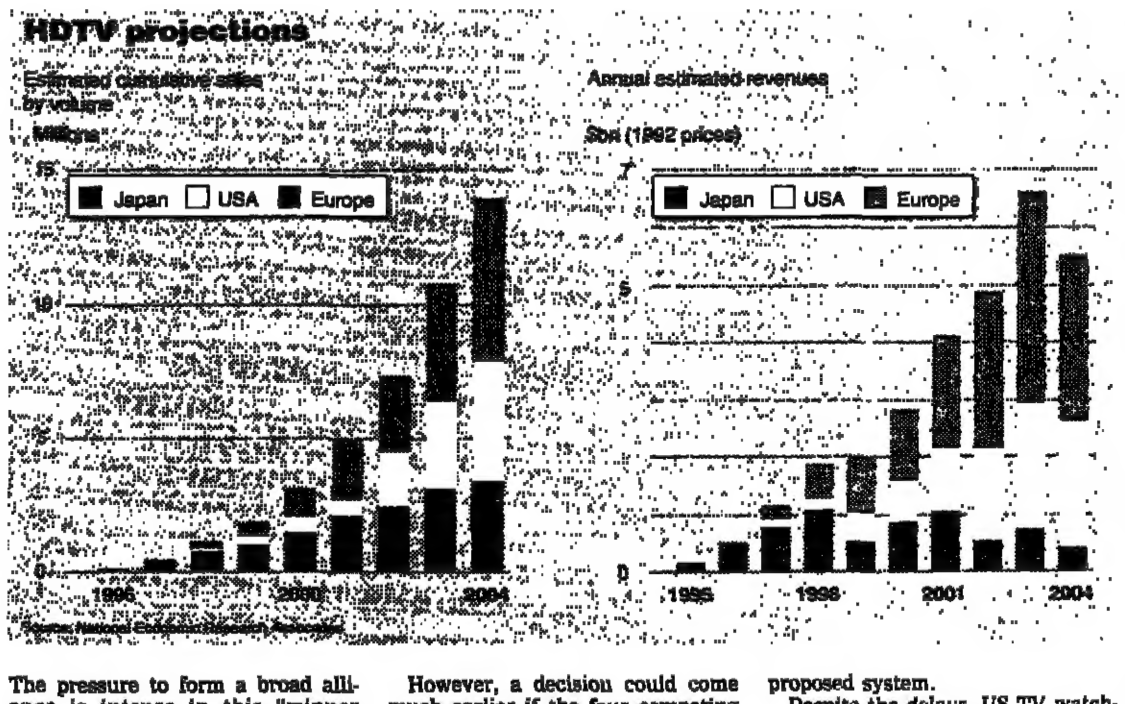
Competing HDTV groups may form a broad alliance

Richard Wiley, chairman of the advisory committee, said a "grand alliance" of the companies competing to set the standard would combine the best elements of each one's technology.

Already, two of the three groups – General Instrument with the Massachusetts Institute of Technology and Zenith with AT&T – have agreed to share royalties if either side wins the competition. A third consortium comprising NBC, the US television station, Thomson of France, Philips of the Netherlands and David Sarnoff Research Centre and Compression Labs of the US, has the choice of competing or collaborating with other participants.

Drawing the industry groups together will be a delicate process, because they have been contestants in the first round of the competition to establish industry standards. However, Wiley said that FCC panel members will help to negotiate an agreement between the groups.

An agreement to merge may be imminent. They face a deadline of March 15 to decide whether to continue to compete or work together.



The pressure to form a broad alliance is intense in this "winner takes all" race. A merger would also rule out appeals from losing parties that could delay the implementation of HDTV standards.

A "grand alliance" of the competing HDTV systems "might more effectively and rapidly advance the establishment of an HDTV broadcast standard," Wiley said.

The advisory panel's decision is now likely to be postponed for several months. This could delay the FCC's timetable for the final selection of an HDTV standard. The agency had hoped to make a final choice by the end of this year.

However, a decision could come much earlier if the four competing systems are consolidated as now appears likely.

Talks are under way among the groups that could lead to a combination, according to participants.

Forming an alliance may be easier than agreeing on technical standards, according to participants. While the business arrangements of such an agreement can be worked out, each group has "religious faith" in its technology.

Pragmatism appears likely to prevail, however, and the consensus is that it will be possible to blend the best aspects of each proposed system.

Despite the delays, US TV watchers can look forward to viewing HDTV in their homes by mid-1995 or early 1996. They will, however, have to be prepared to pay about $3,000 to $3,500 for the pleasure of sharper picture quality.

Those prepared to wait another couple of years may be able to jump on the bandwagon for a mere $1,000, according to industry projections – only two to four times the average US price of a standard TV set.

According to the FCC's current plans, today's standard broadcasts and the new HDTV signals will co-exist for about 15 years.

Finding the cause of MS

US scientists have identified the rogue immune cells that are responsible for multiple sclerosis.

The discovery by Stanford University researchers working with Neurocrine Biosciences, a San Diego-based biotechnology company, could lead eventually to a cure for MS, which afflicts more than 2.6m people worldwide.

Although MS has been the subject of intensive research activity worldwide, there is still no effective treatment for the disease, in which the body's immune system attacks the protective coating of myelin protein around nerve fibres. This results in progressive paralysis.

The researchers report in the journal Nature today that they have identified the specific type of white blood cell (T-cell) responsible for the attack – and matched its genetic sequence to a corresponding gene on the myelin protein.

By good fortune, it turns out that the same genetic sequence causes MS in rats; having an animal model always speeds up drug development. Lawrence Steinman, leader of the Stanford/Neurocrine research team, says the scientists are following three approaches:

- The primary effort is to make a "molecular decoy" which can attract the T-cells away from the myelin. Clinical trials of the first candidate could start next year.
- Antibodies or other molecules could be developed to remove or inactivate the T-cells.
- A vaccine could disable the T-cells.

"All three methods focus on blocking or disabling the very specific immune response that causes this disease, without suppressing the patient's entire immune system," Steinman says.

Once a blocking technique has been developed, it may eventually become possible to use "growth factors" to repair the damaged tissues in MS patients.

But the ultimate cause of MS – what triggers the T-cells to attack – is not yet understood. One theory is that fragments of viruses mimic parts of the myelin molecule and trigger auto-immunity.

Clive Cookson

More than a droplet in the ocean

Victoria Griffith reports on a computerised technique that could revolutionise manufacturing

Homogeneity may seem boring to some people, but for scientists and manufacturers it can be a dream come true. Sectors as diverse as steel, pharmaceuticals and ceramics are excited about a new technology known as "droplet-based manufacturing", which uses computers to create and manipulate minute drops of metals, glass and other substances – all of exactly the same size.

The Massachusetts Institute of Technology is at the forefront of research on the new technique, and is receiving funding from established companies such as Motorola. Jung-Hoon Chun, a professor at MIT, has developed a computerised system for creating uniform droplets which he believes will revolutionise the manufacturing process in many companies.

"With droplet-based manufacturing, we can control the microstructure of materials and therefore improve their properties at a low cost," he says. Materials in liquid form are pushed through a tube with a microscopic hole at a rate determined by the computer, which also controls the placing of the drops.

One sector most interested in the new technique is steel. "Our company may be able to use this process for the galvanisation of steel parts for construction," says Peter Chesney, general manager of new technology at Chaparral Steel in Texas. "If you have different-sized droplets of metal, that affects the quality of the product. You may have to repeat the process several times, and you get a lot of waste from unusable materials."

In metal production today, the slow cooling process also encourages the separation of metal alloys. This means that companies are usually forced to heat and cool the metal many times to get a uniform substance. With droplet technology, though, reheating would be unnecessary. Droplets, since they are small, cool quickly, and prevent the separation of alloys.

Because the droplet technique, which would replace mould and extrusion processes, is faster, uses less energy and produces products of consistent quality, companies using the process could save money. "This could cut our production costs by a significant amount," said Chesney.

Another sector with a keen interest in the technology is pharmaceuticals. Many oral medicines are made up of granules of a specific size so that the medicine takes effect over a certain period of time. The long-lasting impact of 24-hour cold medicine, for instance, is determined by the size of the powder particles. Droplet-based manufacturing would ensure these minute particles were the right size, preventing the trial-and-error process many pharmaceutical groups use today.

"With the droplet technique, you can get almost 100 per cent accuracy for powder production," says Chun. The 3M Corporation is concerned with producing uniform drops of a larger size. "We may use the technology to produce the glass beads that form reflectors on road signs," says Kenneth Smith, technology scout for the group. "The process is novel because it would allow you to make only the size of bead you want. In today's manufacturing, the production of too many wrong sizes is costly and slows down our output."

Ain Sonin, also a professor at MIT, has taken the technique one step further. He is using computers to control the size of the droplets and their location in the production process. Using a normal computer printer head, which is usually programmed to place drops of ink in a pre-determined, letter-forming pattern on a piece of paper, Sonin is aiming to form computer-controlled patterns in metal.

His goal is to be able to program the design, often so small that it can only be seen with a microscope, on to a computer disk. The disk would then be linked to an industrial robot, which would "draw" the design with metal or other materials. Sonin hopes this method would allow companies designing electrical circuit boards, as well as other groups, to alter their manufacturing process at the touch of a button. "The technique would be akin to making alterations on a word processor," says Sonin. "You just change a word here a word there, press the print button and the computer does the rest."

It will probably be some time before these droplet techniques are taken up by industry. "It will take a few more years to perfect the technology, and another few to conduct test trials," says Peter Roberts, engineering manager for special powders at Nuclear Metals, which makes artificial limbs and joints. "We're very excited about the possibilities."

LEGAL NOTICES

Members Voluntary Winding-Up
Company Number: 2331098
Notice of intended distribution
ROSEHAUGH SC LIMITED
(IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, pursuant to Rule 4.182A of the Insolvency Rules 1986, that the Liquidators of the above-named company intend making a distribution to creditors. The creditors of the company are required, on or before 25th March 1993 to prove their debts by sending to the undersigned T R Harris and C J Hughes of Coopers & Lybrand, St Andrew's House, 20 St Andrew Street, London EC4A 3AY, the Liquidators of the company, written statements of the amounts they claim to be due to them from the company and, if so requested, to provide such further details or produce such documentary or other evidence as may appear to the Liquidators to be necessary. A creditor who has not proved his debt before the date mentioned above is not entitled to disturb, by reason that he has not participated in it, the intended distribution mentioned above or any other distribution before his debt is proved.
Dated: 26 February 1993.
Signed: T R Harris
Joint Liquidator

Company Number: 2331098
ROSEHAUGH SC LIMITED
Special and Ordinary Resolutions

At an extraordinary general meeting of the Company held at the offices of Dai-Ichi Kangyo Bank, DKB House, 24 King William Street, London EC4R 9DB on 25 February 1993, the following Special and Ordinary Resolutions were duly passed:-
SPECIAL RESOLUTION
THAT the Company be wound up voluntarily.
ORDINARY RESOLUTION
THAT Christopher John Hughes and Timothy Richard Harris of Coopers & Lybrand, St Andew's House, 20 St Andrew's Street, London EC4A 3AY be and are hereby appointed joint liquidators for the purposes of the aforesaid winding-up and any act required or authorised under any enactment to be done by the liquidator is to be done by all or any one or more of the persons for the time being holding that office.
Signed: D A Lomas
Chairman

Company Number: 1770756
Notice To Creditors To Send Claims
1 AMERICA SQUARE BUILDERS LIMITED (IN LIQUIDATION)

NOTICE IS HEREBY GIVEN, that the creditors of the above-named company are required on or before 25th March 1993 to send in writing their names and addresses and the particulars of their debts or claims, and the names and addresses of their solicitors, if any, to T R Harris and C J Hughes, both of Coopers & Lybrand, St Andrew's House, 20 St Andrew's Street, London EC4A 3AY, the joint liquidators of the said company, and, if so required by notice in writing from the said liquidators, or by their solicitors, or personally, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.
Dated: 26 February 1993.
Signed: T R Harris, Joint Liquidator

Company Number: 1770756
1 AMERICA SQUARE BUILDERS LIMITED
Special and Ordinary Resolutions

At an extraordinary general meeting of the Company held at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS on 26 February 1993, the following Special and Ordinary Resolutions were duly passed:-
SPECIAL RESOLUTION
THAT the Company be wound up voluntarily.
ORDINARY RESOLUTION
THAT Christopher John Hughes and Timothy Richard Harris of Coopers & Lybrand, St Andew's House, 20 St Andrew's Street, London EC4A 3AY be and are hereby appointed joint liquidators for the purposes of the aforesaid winding-up and any act required or authorised under any enactment to be done by the liquidator is to be done by all or any one or more of the persons for the time being holding that office.
Signed: H. Nakajima
Chairman

In The High Court of Justice
Chancery Division No. 00945 of 1993
IN THE MATTER OF
LEIGH INTERESTS plc
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 3rd day of February 1993 presented to Her Majesty's High Court of Justice for the confirmation of the cancellation of the Share Premium Account of the above-named Company as at the 25th day of September 1992 amounting to the sum of £54,870,160.
AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before Mr. Registrar Buckley at the Royal Courts of Justice, Strand, London WC2A 2LL on the 17th day of March 1993.
ANY creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said cancellation of the Share Premium Account of the Company should appear at the time of hearing in person or by Counsel for that purpose.
A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.
Dated the 4th day of March 1993.
Wilde Sapte, Queensbridge House, 60 Upper Thames Street, London EC4V 3BD.
Solicitors for the above-mentioned Company.

PERSONAL

PEOPLE

Taylor to combine Textiles roles

Sir Christopher Hogg, an adviser to the Cadbury committee on corporate governance which recommended that the roles of chairman and chief executive be split, is handing the chairmanship of Courtaulds Textiles to current chief executive Martin Taylor.

"Cadbury is not doctrinaire on the subject," Hogg argues. "Actually, I'm not in favour of combining the offices. I did it myself for ten years at Courtaulds; for the first half of that period the argument for it was very strong, in the second half, much less so."

The decision to make 40-year-old Taylor chairman appears largely to have been dictated by the fact that the obvious candidate, non-executive director Antony Hichens, who becomes deputy chairman instead, had made clear he was unavailable.

"First, he has an enormous amount on his plate," says Hogg, "and moreover, whereas he felt very comfortable making sure there was no abuse of power, he thought that after three years on the board he did not know enough about the industry to be able to supply the strategic vision required of a chairman."

Hichens is chairman of MB-Caradon and Y J Lovell Holdings, and has some ten other non-executive directorships.

Of Taylor, a Courtaulds high-flyer and former Financial Times journalist, Hogg adds: "Martin is less of a potential power-abuser than anyone I can think of." Taylor, for his part, contends Hichens is one of the most forceful non-executives he has met – "marvellous and terrifying".

The sudden death of 53-year-old Ian Rae has prompted further boardroom changes, with Andrew Harrison, 35, presently finance director, moving to take charge of home furnishings and the UK branded clothing business, Rae's domain. "It was perfectly clear to me he would either become the finance director of a much larger company or run a business," says Taylor, who acknowledges that Rae's death forced his hand, and that he had been planning initially to give Harrison a slightly smaller "line" job than the current assignment.

Harrison is replaced by Pippa Wicks, 30, who joined from Bain & Company, also Harrison's training ground, two years ago as business development manager.

As if he were not busy enough, Taylor meanwhile signals that he will shortly pick up his first outside directorship - of an FT-SE 100 company in an unrelated business.

Argyll splits divisions

Argyll Group's decision yesterday to "tidy up" the relationship between its Safeway and Presto/Lo-Cost retailing chains and formally split them into two divisions has led to some management changes.

Patrick Kieran (right), an Argyll Group main board director and current managing director, Safeway operations, has become managing director of the Safeway Stores division.

Kieran, 54, has 36 years' experience with Safeway, and since the chain's acquisition by Argyll six years ago, has been responsible for Safeway's retail operations. During that time, the number of stores has increased from 133 to 340 and selling space more than tripled from 2m to 7m square feet.

His role will embrace trading, marketing and support functions for the first time.

Logan Taylor, currently managing director, Safeway trading and marketing, becomes the division's deputy managing director.

In the newly-created Presto and Lo-Cost Stores division, Charles Lawrie, the Argyll director who has been responsible for these stores for seven years, is appointed managing director.

Argyll's property and development activities, which provide services to all three, will continue to be directed by Gordon Wotherspoon

Sir Bryan Nicholson, 60, who recently retired as chairman of the Post Office, has been nominated as deputy president of the CBI. Assuming his nomination is confirmed at the annual meeting on May 19, Sir Bryan will serve as Sir Michael Angus's deputy until he takes over the presidency in May 1994 for a two year term.

Like Sir Michael, Sir Bryan started his career at Unilever. A former chairman of Bank Xerox, he later joined the public sector as chairman of the Manpower Services Commission and then of the Post Office from 1987 to 1992. He is currently chairman of BUPA and Varity Holdings as well as a non-executive at GKN.

CORRECTION

M W Marshall

In some earlier editions of yesterday's paper, a photograph of Yukio Aida, chairman of Normura Securities, was substituted for that of Mike Knowles, the chairman of M W Marshall. We apologise for this error.

Amstrad's new non-executive

Jeoff Samson, a former senior GEC executive, has been appointed a non-executive director of Amstrad.

During Alan Sugar's unsuccessful attempt last December to buy back the shares he did not already own, he agreed to appoint two non-executive directors to the board. After the bid was defeated by shareholders, Amstrad advertised for one applicant with sufficiently senior experience to be able to "appraise all financial aspects of the company", and another who "should be an industrialist with a consumer product manufacturing background, or be highly experienced in the distribution of consumer products to trade customers".

Samson fits both categories. He has considerable experience in the UK industrial electronics and consumer products industry gained with Plessey, Standard Telephones and Cables, where he was a main board director, and more recently at GEC, where he was managing director of Hotpoint and later managing director of GEC's consumer products group from 1985 to 1989.

Samson, now 64, subsequently joined Yale and Valor where he was group managing director until two years ago when the group was acquired by Williams Holdings.

Last August he joined the board at Hunterprint, the loss-making specialist printer, as a non-executive director after Sir Ian MacGregor was ousted as chairman, and in November became part-time chairman working alongside Tony Caplin, Hunterprint's chief executive, on the rescue operation.

Commenting on his appointment yesterday Samson said it was "very challenging, but a tremendous opportunity". He was selected from a shortlist of 16 candidates drawn up by ProNed, the organisation which promotes non-executive directors. Amstrad's board is continuing to interview shortlisted candidates for the second non-executive post.

■ **Graham Pimlott**, chairman of the corporate finance division of BZW, at TESCO.
■ **Michael Julien**, former chief executive of Storehouse until last summer, at Medeva.

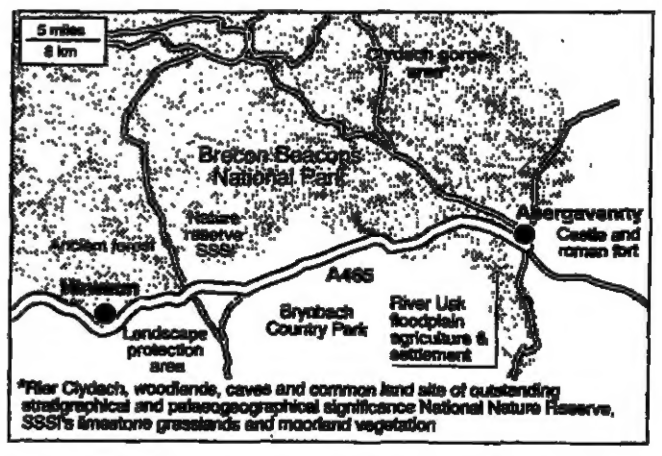
CONSTRUCTION CONTRACTS

Upgrading trunk roads in Wales

ACER CONSULTANTS, based in Guildford, Surrey, has been awarded the route study commission for the proposed dualling of the A465 heads of the valleys trunk road, between Abergavenny and Hirwaun in south Wales.

The scheme, planned at an estimated cost of £145m, was originally announced in May 1991 as part of a £460m expansion of the Welsh Office motorway and trunk road programme.

Acer's study will address the objectives of the scheme, which are to provide dual-carriageway traffic capacity by developing environmentally acceptable and safe proposals. The timing of construction will also be considered and the study will advise on priorities and whether the work should be phased.



The study includes a section with particularly difficult topographical, geotechnical and environmental problems in the Clydach Gorge, between Abergavenny and Brynmawr, where it also passes through the Brecon Beacons National Park.

This area contains a number of sites of special scientific interest and a national nature reserve, as well as limestone caves, woodland, landscape protection areas and sites of archaeological value.

Restoring fish stocks in north Wales

The tunnelling company of **TRAFALGAR HOUSE CONSTRUCTION** has won a design and construct contract in north Wales to build a £410,000 fish pass around the Conwy Falls, near Betws-y-Coed.

The fish pass is designed to restore stocks of salmon and sewin in the upper reaches of the River Conwy and its plans have been under discussion for 10 years.

The company and its consulting engineers, Donaldson Associates, won the contract after submitting an alternative proposal to the Conwy Trust and the National Rivers Authority.

The fish pass has been specifically designed so as not to spoil the scenic beauty of the area and trees which have to be removed while work is in progress will be replanted.

The pass will consist of a 48 metre tunnel containing 28 separate pools to allow the fish to move upstream. As the river prevents access to either end of the tunnel, work will commence with the sinking of a 14 metre deep circular access shaft adjacent to the falls. From this shaft the company will drive a tunnel 15 metres uphill and 33 metres downhill without breaking through to the surface.

All the work on the shaft and tunnels will involve hand drilling and blasting with debris being removed by a grab mounted on the end of a crane. The breakthrough will form the last stage of the project as water must be kept out of the tunnel to allow the construction of the pools.

The pools will be formed from reinforced concrete and will be about three sq metres, allowing the energy of the water to be dissipated and making the fish's 13 metre ascent easier.

The level between pools will be 500mm and a notch will be carved in the tunnel wall to assist the fish's climb. Walkways will be installed over the pools and will be reached via the original access shaft which will be capped and covered with a manhole. The scheme will be completed in time to attract fish migrating upriver in the autumn.

£11m orders won by Mowlem company

Construction work worth more than £11m has been won by **MOWLEM SOUTH WALES**, part of John Mowlem Construction.

The largest project is a £5.44m contract from Severn Trent Water which will improve the quality of water in the Forest of Dean, Cheltenham and Gloucester areas. The work, at Mitcheldean in Gloucestershire involves the construction of three pumping stations, new filters and holding tanks and extending clarifyers. Work has started for completion in December.

In Swansea the company has won a £3.2m contract from The Post Office to construct an automated processing centre within a 6,800 sq metre unit at Enterprise Park, Swansea.

All the machinery will be stripped out and a new scheme installed together with one and two-storey offices, welfare areas, warehousing and loading bays. Work has started for completion in June next year.

In Llanelli Mowlem South Wales has been awarded phases 1 and 2 of the improvement of the pedestrianised shopping centre of Llanelli. The £1.2m contract, for Llanelli Borough Council, comprises laying drainage and York stone paving, together with the erection of ornamental tubular steel canopies to the shop fronts. The canopy supports also form street lighting posts and drainage down pipes. Completion is due in May next year.

Other contracts include two workshop units at Thornton Business Park, Milford Haven, for Preseli Pembrokeshire District Council (£389,000); an extension to the Selwyn Samuel Indoor Bowls Centre, Llanelli for Llanelli Town Council (£358,000) and a day centre at Swansea General Hospital (£291,000) and the refurbishment of Unity House, Lampeter (£225,000).

Burnley hospital scheme

LG MOUCHEL PARTNERS has been appointed by the Burnley Health Care Trust, as civil and structural engineer for the £6m Phase IV development of Burnley General Hospital. The scheme comprises four new nucleus templates.

Accommodation will be provided for paediatric, surgical day case, ear, nose and throat and oral surgery and general acute wards.

Sofia airport

HALCROW AIRPORTS GROUP has been commissioned to produce a master plan for the development of Sofia International Airport. The airport is to be developed as an extension of the airport 6km east of Sofia city centre.

The master plan will take account of a phased development programme.

Bangkok hotel

EC HARRIS has been appointed project manager and quantity surveyor by joint clients Accor and Euromill Hotel Group for the construction of a £15m Novotel hotel in the Bang-Na district of Bangkok, Thailand.

Architects are the Bangkok-based A47 and the project is scheduled for completion in June 1994.

Sussex store

MJ GLEESON GROUP has been awarded the contract to build a superstore for J Sainsbury at Lyons Farm, Lyons Way, Worthing, Sussex. The contract, worth in excess of £7m, includes a petrol filling station, a rentable retail unit and coffee shop.

Scottish work

WIMPEY CONSTRUCTION SCOTLAND has picked up seven contracts totalling more than £13m for clients in the Clydebank and Glasgow area. The largest is a £5.5m development to build a 9,500 sq metre retail park in Coatbridge for food retailers, William Low.

The scheme includes a 5,200 sq metre store and a 3,750 sq metre retail unit and garden centre for Texas Homecare.

Denzel Washington as Malcolm X meets Elijah Muhammad in Spike Lee's film

Cinema/Nigel Andrews

Radical chic, not racial rage

Malcolm X, Spike Lee's movie portrait of the black activist who spent 12 years fire-breathing for the Nation of Islam until his assassination in 1965, is three hours 20 minutes long. At the end we are still not sure what we are supposed to have been watching. Propaganda? Biography? Social history? *Indignation-as-cinema?*

A diffuse mixture of all three is the answer. Aiming to appeal to the widest possible movie constituency, Lee has made the blandest possible movie. And perhaps, once a major studio (Warner) and major star (Denzel Washington) were involved, plus an expanding budget into which everyone from Time Warner to the Reverend Jessie Jackson threw bundles of money, the writing was on the wall. In the finished movie, the "X" in Malcolm X comes to stand not for the shock-horror lexical sign scrawled on the poster but for that characterless all-purpose cipher we use in equations.

X for Mr Everyman. X for Take The Cardboard Political Hero You First Think Of and then multiply by four: one for each of the serial guises Denzel Washington adopts as we traverse the stations of the black prophet's cross. Lee's film begins in a stylised 1940s America, with a swooping/craning camera, a zoot-suited young hero and his pal (played by Spike Lee) and a dance-hall scene that could have strayed in from John Waters' *Hairdo*. This is a flippant and sumptuously disingenuous way to lead up to Malcolm's start in life as a street pimp and petty crook.

Then we follow our hero into the slammer. Film noir menace; gritty close-ups; picture of a black man hardening to the punitive reality of the white man. The movie's third and most sustained Malcolm comes next. A meeting with a fellow-prisoner leads him to Nation Of Islam leader Elijah Muhammad and confirms our man in his fire-brand vocation as a race-war orator. Soon we are off into the street marches backed by inspirational music; the streams of anti-white invective; the famously brusque response to JFK's assassination ("The chickens have come home to roost"); and the media Malcolm who burst into the TV and newsreel age *to make the sound-bite bite.*

But already, here in the film's sprawling midsection, we are hearing a simultaneous and different sound: that of a film-maker trying to retreat at the same time that he advances. While not overtly distorting the facts about his hate-prophet protagonist, a Spike Lee aware of how many non-black people he must keep from stomping from the cinema if he is to make his money back increasingly muffles those facts. The "chickens" quote, for example, is hidden half-audibly inside a montage of sounds and images conveying the post-Dallas frenzy. And the words for Malcolm's street speeches are delivered by Denzel Washington with actorly skill rather than incendiary élan – and are nearly all taken from his less virulent orations.

Lee, of course, could defend this blanding-out of the middle-period Malcolm by citing the fourth and last Malcolm: the man who went to Mecca in 1964, a year before his death, and came back a changed, more peaceable man. Plucking a new name from the Arab thesaurus – El-Hajj Malik El-Shabazz – he renounced his seperatist views. Thanks to this lucky accident of history the film can segue its dismayingly emasculated pre-'64 Malcolm into the authentically emasculated figure of the last year. Then it is into the Audubon Ballroom, New York, for the glorifying martyrdom by Nation of Islam assassins.

Malcolm X achieves the remarkable feat of taking a confrontational hero and never really confronting him. Good or evil, crackpot or calculating, Malcolm X raised the emotional stakes of the civil rights debate. A man who made slap-in-the-face speeches deserves a film with moments of slap-in-the-face impact.

But Malcolm X is radical chic in the worst sense. It turns its hero into a tie-in product of yesterday's agitprop fashions, beautified and beatified for today by the casting of Denzel Washington. This actor has become today's answer to Sidney Poitier: he is almost impossible to view in any light other than Mr Nice Guy. *Malcolm X* should have been a questing, provocateur movie about the limits – or non-limits – of racial indignation. It should have kept alive the dramatic torch it lights in the inflammatory opening credits sequence, as the American flag is cross-cut with footage of the Rodney King beating. Instead it becomes a mixture of *Black Gandhi* and *Guess Who's Coming To The Assassination*. The chickens, instead of coming home to roost, are allowed to chicken out.

*

Toys belongs to that genre of allegorical fiction summarisable as "All The World's A (supply missing word)". Where Orwell gave us the world as an animal farm, Fritz Lang as a futuristic city, Swift as a package tour to Parable-land, writer-director Barry Levinson opts for a toy factory. The "Zevo Toys" plant puffs away on the skyline, like a power station built from from play-blocks. Here funny-innocent Leslie Zevo (Robin Williams) and his funny-robotic sister Alsatia (Joan Cusack) strive to carry on their late-deceased Dad's traditions of fertile, simple-hearted inventiveness.

But lo! Trouble in Paradise. Dad, it transpires, has *willed* the place to their barking mad uncle, General Michael Gambon. He – a Dr Strangelove with extra weight and a funny accent – wants to turn Zevo Toys into Zevo Weapons.

MALCOLM X (15)
Spike Lee

TOYS (PG)
Barry Levinson

CONSENTING ADULTS (15)
Alan J. Pakula

The Oscar-nominated costumes and designs steal the show. Not only that: they throw a honking great brick through the flimsy plot and leave a mess of shattered ideals. Levinson nursed this pet project apparently for 12 years, all through grown-up films like *Good Morning Vietnam*, *Rain Man* and *Bugsy*. But the movie as now realised is poised between the arch and the preachy. While the design caprices constantly bewitch our eyes – the country mansion that opens like a picture-book, the factory wing shaped like a giant elephant, the hilly green corridors with crossings for toy ducks – the message delivered to our ears is less winning. It should say "Be innocent." Instead, scrambled by infantilist sentimentality, it sounds more like "Be winsome, whimsical or retarded."

Americans, being innocent anyway, cannot "do" innocence. Thinking it something separate from themselves, they caricature it. Cusack and Williams both mug and wisecrack bravely to avert coyness – Williams alone is a one-man Wright brothers in his bid to achieve verbal flights-of-fancy despite the sticky terrain – but they keep seizing up in whimsy. What can a grown actress do when required to go night-nights in a giant lacy-fringed cradle?

Our own Mr Gambon thrives best, as the heavyweight cuckoo lumbering into the alien nest. The Gambonic use of eyebrow and slow-cranked nasal drawl, even the hardworking American accent (given a brief early soliloquy of comic justification), help to give the film what it most needs: not more mercurial comic lightness but a large chunk of deranged comic solidity.

Finally, here is a structural breakdown to assist you in enjoying *Consenting Adults*. Or in deciding if you want to go at all. First part: mildly hypnotic tale of clean-living couple (Kevin Kline, Mary Elisabeth Mastrantonio) led into criminal and sexual temptation by new neighbour and wife (Kevin Spacey, Rebecca Miller). Second part: loony thriller in which Kline chases evil Spacey across Carolina while the women-folk sit around twiddling their thumbs. Third part: end credits and dawning realisation that there were even more holes and inanities in the plot than you first thought.

Alan J. Pakula, who once made *Klute*, directed. Matthew Chapman, who once made *Strangers Kiss*, screenwrote. How are the mighty fallen on hard times.

London Theatre

Fugard's 'Playland'

Athol Fugard's *Playland* is the best play to arrive in London since Tony Kushner's *Angels in America* at the Royal National Theatre last year. The piece has a seriousness of purpose and a tautness of writing seldom seen on a European stage. It is not just that the subject matters, though of course it does: everything in the production lives up to it.

Fugard, the South African playwright now in his early sixties, has a prolific output behind him. His last play at the National, *My Children! My Africa!* was a relative flop, partly because it was written before, but presented after, the release of Nelson Mandela. In *Playland* Fugard returns to being the dramatic chronicler of his times: the man who can present hope out of despair.

The background is the war in what used to be called South West Africa – South Africa's Vietnam. It is new year's eve 1989: the war is over. Two characters come together outside a fairground. One is a white South African former corporal whose experience of killing has left him an emotional wreck, but also perhaps a wiser man. The other is the black nightwatchman, who has been guarding the fair for years.

They talk: or rather at the start the white man talks *almost to the point of* monologue. He is not especially bitter. He accepts that blacks and whites will have to live together. Gradually, however, there is a role reversal: the watchman begins to talk.

The ostensible subject is killing. The watchman believes the sixth commandment: "Thou shalt not." The white cannot get over seeing a record 27 members of SWAPO killed and buried by his unit on one day. But the black, too, has committed murder: he killed a white man for attempting to sleep with his woman. Moreover, despite his belief in the commandments, he is not sorry and would do it again.

Fugard is now a master of dialogue. The facts about both characters slip out. Sometimes they revert to an atavistic past. The white claims there is nothing wrong with a white man taking a black woman against her will: "That's how little white boys learn to do it. And you know something else: the women like it." Sometimes the watchman simply wants the white to go away.

Yet the antagonism that occasionally breaks out is not the whole theme. The underlying point is about mutual dependency, liking the same things, such as the freedom to watch the birds in the South African skies and to laugh not the "laughter of lies".

Most impressive of all, none of this is piously done. There is no suggestion that all whites have learned the same lesson from the war. Indeed the white soldier now feels estranged from his own people. Here are simply two *individuals talking*.

Fugard leaves no doubt, however, that they are both identifiably South Africans, and know it. The skill with which he does this is shown in the language. They have begun to share words and accents. This is almost the first time that I have found an Afrikaans accent on stage sympathetic.

The acting by John Kani as the black and Sean Taylor as the white is impeccable. Fugard himself directs down to his fingertips and there should be a special prize for the lighting – note the coming of dawn – by Mannie Manim. The Donmar Warehouse, small like the Market Theatre in Johannesburg, is exactly the right place for *Playland*.

Malcolm Rutherford

Donmar Warehouse until April 17. (071) 867 1150

Alastair Muir

Hope out of despair: John Kani and Sean Taylor

Dominican 'Running Dream'

In *Running Dream* Trish Cooke has gone in search of her Carribean roots. Her family came over to England from Dominica, a tiny island with a distinctive Anglo-French culture. Through the characters of grandmother, mother and daughters, Cooke conjures with times past, times present, memory and reality.

It is more an evocation of mood rather than drama. When Florentine (Claudette Williams) chases William (Wilbert Johnson), the father of her two girls, to England she takes one child, Grace (Sherlina Chamberlain) with her, leaving the other, Clementine (Marianne Jean-Baptiste), behind to be looked after by her grandmother. Many years later Grace travels back to Dominica to find her home.

Dominica is full of light and sparkle, childish games and casual courtships. England, the place of promise and achievement, offers sickness and materialism. It is no contest, especially when Dominica has all the best tunes. The most uplifting moments are when the excellent cast break into song or into the local patois, an intriguing creole of English, *French and African.*

Andrea Montag's simple wooden verandah set suggests heat and warmth in Dominica; imprisonment in England. The evening would have been livelier if the plot had matched the atmosphere, but events are touched upon rather than investigated. The transience of Carribean men is well illustrated by their fleeting appearances on stage. William gives Grace one more child Bianca (Cathy Tyson) on her arrival in England, and then only pops up again at her death bed to urge a belated return to the island of innocence.

The character of Bianca, the successful English woman, is only lightly sketched and one doubts whether she will be really happy back in the ancestral village. More could have been made of local folk lore and music but director Olusola Oyeleye certainly lifts you away from bleak Stratford. The play does not preach, does not judge. It offers what must have been one of the largest gatherings of Dominicans in London an instant plug into their folk memory. They loved it.

Antony Thorncroft

Theatre Royal, Stratford East: 081-534 0310

Dance/Alastair Macaulay

Philippe Genty's 'Forget Me Not'

Is it too late for some kind statesman to insert into the Maastricht Treaty a clause banning all European programme blurb from this country? Please, please, please? And is it too much to ask anyone visiting the Compagnie Philippe Genty, now at Sadler's Wells for a fortnight, to refrain from reading the programme? Genty's show, *Forget Me Not, has some enthralling* episodes – enthralling till you read the poetic meanings Genty attaches to them. I quote: "So who's falling? You, the reader, Or me, the scribbler? It all depends on which memory we're in. Mine. Or *yours." One (typical) biogra*phy tells us that Catherine Martin "was a happy little girl amongst her twenty midget brothers and sisters. Enchanting music was always flowing in her head, her pretty little feet kept moving gracefully." (Genty soon put a stop to *that*, by the way.)

Genty is an illusionist. Watching his work is simple, and often pleasurable. When his illusions are at their best, *they achieve far greater poetic* eloquence than his blurb; and even when they are feeble, his spiel misses the mark. In *Forget Me Not*, he and his seven performers conjure up vision upon vision. Sometimes we see how the illusion is achieved, as *when, early on, we discern that* half the 14 people in evening dress are in fact life-size puppets; and then we laugh. Sometimes, as when one woman is suddenly replaced out of thin fabric by another, we do not know how it is done; and then we are amazed.

Forget Me Not has three dominant metaphors: the connection between people and apes; that between people and puppets; and the emergence of *people from base material. We* see an ape in an evening dress watching all the rest of the spectacle, and we see figures in evening dresses suddenly acquiring ape heads. Genty means some *Planet of the Apes* idea here, but he seldom develops it interestingly. And the person/puppet theme is too thinly developed – despite marvellous incidents. Humans turn into dolls, and vice versa; or humans are confronted by lifelike, lifesize puppets, by Gargantuan teams, by Lilliputian replicas.

But the show does become extraordinary – a Darwinian nightmare – in the scene when we see people locked like larvas into what look like *lumps of clay. Gradually three* women break free, like butterflies from chrysalis form. By then, however, we see that the clay lumps move, are animated; that they are in fact some kind of huge amorphous slugs. Then the slugs coalesce, to become a heavy, dull, five-legged creature with a huge body, which threatens to consume humans. Later, we see people trapped in other clay-like amoeba, meshed to it by horrid membrane and sucked back into the bowels.

"This is not just dance," says Genty's programme stuff. Actually, this is just *not* dance – though it contains bits of social dance and acrobatic movement and is wordless. It is less like dance than Pilobolus (which it resembles or imitates), because it has no particular overall rhythmic coherence. It also lacks the *dream logic to tie its meta*phors into a fluent work of theatrical art.

A pity. The eloquence of its best passages turns out to be just a passing effect. And the occasional cuteness of French humour is another problem. *Forget Me Not* is really just an absorbing circus trick. You cannot help wishing (like Genty) that it were something more.

Sadler's Wells until March 13

INTERNATIONAL ARTS GUIDE

ATHENS

Concert Hall Tonight: stage productions of Weill's Mahagonny Songspiel and Happy End. Sat: Theodore Antoniou conducts works by Greek composers. Sun: Anca Ratiu plays violin sonatas by Enescu, Beethoven and Prokofiev. Mon: Anne Sophie Mutter, accompanied by Philip Moll, plays violin sonatas by Lutoslawski, Schubert and Beethoven. Tues: Sergiu Nastasa violin recital. Wed: Luminita Macavei violin recital. Next Thurs: Agnes Baltsa sings in Cavalleria Rusticana (722 5511)

BARCELONA

OPERA

Peter Brook's Debussy adaptation, Impressions de Pelléas , can be seen at Mercat de los Flors daily till Sun (318 8599). Next production at Gran Teatre del Liceu: Carmen opening on March 17 (412 3532)

CONCERTS

Meir Minsky conducts Barcelona City Orchestra at Palau de la Musica on Fri, Sat and Sun morning, in a programme including Chopin's First Piano Concerto (Bella Davidovich) and Shostakovich's First Symphony (268 1000)

BOLOGNA

Teatro Communale Tonight, Sun afternoon, Tues: Bruno Bartoletti conducts final performances of Elijah Moshinsky's production of Simon Boccanegra, with alternating casts including Renato Bruson, Roberto Scandiuzzi and Lucia Mazzaria. March 15: Shura Cherkassky. March 23: first night of Adriana Lecouvreur (529999)

FLORENCE

Teatro Communale Tomorrow and Sun afternoon: Spiros Argiris conducts final performances of the Ponnelle/Cologne production of Die Frau ohne Schatten, with Robert Schunk, Sabine Hass, Bernd Weikl, Janis Martin and Hanna Schwarz. March 16: first night of La Cenerentola (277 9236)

LONDON

THEATRE

● The Importance of Being Earnest: Maggie Smith, Alex Jennings and Susannah Harker in Oscar Wilde's most popular comedy. Nicholas Hytner directs. Now in previews, Press night on Tues (Aldwych 071-836 6404)

● Carousel: a triumphant revival of the Rodgers and Hammerstein musical. Till March 27 (National Theatre 071-928 2252)

● Playland: Athol Fugard directs British premiere of his latest play with John Kani and Sean Taylor, leading actors from Johannesburg's Market Theatre (Donmar Warehouse 071-867 1150)

● Hamlet: Kenneth Branagh stars in Adrian Noble's uncut version of Shakespeare's play. Transfers to Stratford after March 11 (Barbican 071-638 8891)

OPERA/DANCE

Covent Garden Colin Davis returns to the Royal Opera to conduct first night of Harry Kupfer's new production of La Damnation de Faust on Mon (in repertory till March 25 with cast including Olga Borodina and Samuel Ramey). Gwyneth Jones sings title role in Andrei Serban's production of Turandot tonight, Sat, Tues and next Thurs. Tomorrow: Il barbiere di Siviglia. Wed: Royal Ballet triple bill including David Bintley's Tombeaux and Forsythe's In the Middle (071-240 1066)

Coliseum ENO repertory consists of The Mikado tonight, Rigoletto tomorrow and next Wed and Don Pasquale on Sat (071-836 3161)

Sadler's Wells Compagnie Philippe Genty daily except Sun and Mon till March 13 (071-278 8916)

CONCERTS

South Bank Centre Tonight: Leonard Slatkin conducts Philharmonia Orchestra in works by James MacMillan, Prokofiev and Shostakovich, with piano soloist Evgeny Kissin. Tomorrow: Rafael Frühbeck de Burgos conducts Vienna Symphony Orchestra in Mahler's Third Symphony. Sat: Slatkin conducts works by Britten, Walton and Milner. Sat in QE Hall: Edward Downes conducts Verdi's Aroldo. Sun afternoon: Lazar Berman piano recital. Mon: Chick Corea. Tues: Neville Marriner conducts Philharmonia Orchestra, with piano soloist Alfred Brendel. Wed: Peter Maxwell Davies conducts RPO. Wed in QE Hall: Orchestra of Age of Enlightenment plays Boccherini. Next Fri: Rattle conducts CBSO (071-928 8800)

Barbican Tonight: Mstislav Rostropovich cello recital. Sat: Gershwin evening. Sun afternoon: Evgeny Kissin piano recital. Sun evening: Rostropovich conducts LSO in works by Britten. Mon: all-Elgar programme conducted by Charles Mackerras. Tues: David Atherton conducts Beethoven and Tippett, with piano soloist Stephen Kovacevich. Wed: Orchestra of Flanders. March 14: Rostropovich conducts Peter Grimes (071-638 8891). Tomorrow at St John's Smith Square: Elly Ameling is soloist in Bach concert with Academy of London. Sun: English Baroque Choir sings Allegri, Bach and Poulenc (071-222 1061)

GENOA

Teatro Carlo Felice Tonight, Sun afternoon, next Tues and Sun: Jan Latham König conducts Alberto Fassini's production of Roberto Devereux, with alternating casts including Raina Kabaivanska, Gloria Scalchi and Vincenzo La Scola. Tomorrow and Sat afternoon: Antoni Wit conducts orchestral works by Scriabin (589329)

MADRID

Auditorio Nacional de Musica Tonight: Marisa Tanzini piano recital. Tomorrow, Fri, Sat: Walter Weller conducts Spanish National Orchestra in works by Arriaga, Weber and Schubert, with clarinet soloist Enrique Perez Piquer (337 0100).

MILAN

Teatro alla Scala Tomorrow: Alfredo Kraus song recital. Sat: Riccardo Muti conducts revival of Giorgio Strehler's production of Don Giovanni, with William Shimell, Carol Vaness and Cecilia Bartoli (runs with alternating casts till March 20, next performances on Sun, Tues and Wed). Mon: Ulf Schirmer conducts Orchestra of La Scala in works by Mozart and Bartok (7200 3744)

ROME

Teatro Olimpico Tonight: Petersen Quartet plays string quartets by Beethoven and Schubert. Next Thurs: Dmitri and Vladimir Ashkenazy (323 4890) Teatro dell'Opera Tonight, Sun, next Wed, Fri and Sun: Die Fledermaus (sung in Italian). Mon: Krzysztof Penderecki conducts Sinfonia Varsovia in works by Prokofiev, Penderecki and Beethoven. Next Thurs: Mayerling, new opera by Barbara Giuranna. Programme subject to cancellation (481 7003)

PRAGUE

CONCERTS

● Sat in Smetana Hall: Rudolf Kehrer piano recital. Next Wed: Prague Symphony Orchestra in works by Hauer, Beethoven and Brahms, with violin soloist Corey Cerovsek (232 2501)

● Mon in Dvorak Hall: Guarneri Trio plays piano trios by Fiser, Beethoven and Brahms. Next Wed: Wihan Quartet plays works by Haydn, Britten and Ravel (286 0111)

OPERA

● National Theatre has La boheme tomorrow and Sun, The Bartered Bride on Sat and La forza del destino on Tues (205364). Estates Theatre has performances of Le nozze di Figaro tonight, next Wed and Fri, and Don Giovanni on March 26, 29 and 31 (228658)

● Prague State Opera has Delibes' ballet Sylvie tonight, Salome tomorrow, L'elisir d'amore on Sat, Les Contes d'Hoffmann on Sun, L'italiana in Algeri on Tues and Tosca on Wed (265353)

TURIN

Teatro Regio Tomorrow and Sun afternoon: Bruno Campanella conducts Lluis Pasqual's production of Falstaff, with Leo Nucci. Mon: Cecilia Gasdia song recital. March 23: first night of Jerome Savary's production of Die Fledermaus (8815 214)

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY
Super Channel: European Business Today 0730; 2230

MONDAY
Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Pleasing most people part of the time

BOOK REVIEW

The rapid growth of part-time and flexible work is one of those rare economic trends that seems to benefit almost everybody. Companies gain more adaptable, more committed and cheaper workers. Employees gain greater variety in choosing when and for how long they work, which is especially useful to the growing number of women workers struggling to combine work and family responsibilities.

About a quarter of all UK employees are now defined as part-time – meaning they work fewer than 21 hours a week – and the trend is upwards. The Institute for Employment Research at Warwick University estimates that by the year 2000 1.2m full-time jobs in manufacturing and utilities will disappear and 2m service-sector jobs will be created, about half of which will be part-time.

The trend may not seem benign to the 3,000 full-time employees at the Burton and BhS retailing chains who have been told in the past few weeks that their jobs are being converted into part-time ones. It will be especially bad news to those workers who are the only breadwinners in a household.

But the large majority of part-time workers are not in that position. They are most often women (4.6m women compared with 1.1m men) working in relatively low-paid service-sector jobs and living in households with two wage-earners – now the most common kind.

It is true that a small number of part-timers would prefer to work full-time. But, according to surveys by the Equal Opportunities Commission, most express greater satisfaction with their jobs than full-timers and have a better record than full-timers on absenteeism and staff turnover. Reduced costs are an additional attraction for employers. According to one recent employers' study, part-time workers cost companies 12 per cent less an hour, on average, than full-time workers.

ABOUT TIME –
The Revolution in Work and Family Life
By Patricia Hewitt
IPPR/Rivers Oram Press, £9.95, 183 pages

So where is the catch? According to About Time, the latest work from the Institute for Public Policy Research by Patricia Hewitt, former press secretary to Neil Kinnock, the problem is that while only about one in three employees now works a 40-hour, five-day week, most of the UK's employment laws and welfare regulations are based on that standard week.

As a result, about half of part-time women workers do not qualify for employment safeguards such as protection from unfair dismissal. About one-third of all part-timers earn less than the national insurance threshold of £54 a week which means that employees are excluded from unemployment benefit, sick pay, and maternity pay. Many part-timers are also excluded from company pension funds and redundancy pay.

Most part-time workers express greater job satisfaction than full-timers

Despite these problems, Hewitt approves of the emergence of the part-time economy because it provides user-friendly working time – especially for working mothers and people nearing retirement.

She argues in her well-organised, if rather dense, book, for "fair flexibility" – keeping the varied hours and greater productivity of part-timers but giving them the same rights and pay, pro rata, as full-timers. She does not believe that making part-timers more expensive would curtail the supply of part-time jobs, and cites managers who say that flexible labour is more important than cheap labour.

That may be wishful thinking. Feminists might also take issue with the claim that part-time work resolves the family/career dilemma for women, preferring instead better childcare provision and a fairer division of domestic labour between women and men.

The domestic burden has been spread more evenly in recent years, but only a little, and Hewitt's assumption that men will be happy to give up full-time work to share both the paid work and the domestic labour with women may be premature. As long as the majority of part-time jobs remain poorly paid and of low status many men will not find such employment an attractive proposition.

There are, however, some signs that part-time work is now gaining in status to reach managerial and professional jobs. Less than 3 per cent of employees in that category are now part-timers and it has traditionally been regarded as impossible to combine part-time work with a successful career. But given that the head of personnel at the Department of Social Security can successfully work part-time, a lot of other senior managers, at least in large organisations, ought to be able to follow suit. Better-paid professionals might also seek to trade pay for time off.

About Time does not claim that part-time work is a panacea for unemployment – rightly so, as many part-time jobs go to women who would not otherwise be active in the labour market.

But Hewitt does believe that part of the solution to Britain's unemployment problem lies in the redistribution of incomes and working time, through flexible and shorter hours, to those out of work. She also wants to see the benefit system reformed to make it financially worthwhile for people on income support to take part-time work.

Britain, along with Denmark and the Netherlands, is likely to remain a world leader in the creation of part-time jobs in the 1990s. For that reason, Hewitt's proposal of "fair flexibility", something that the best employers are already implementing, deserves a higher position on the political agenda.

David Goodhart

ECONOMIC VIEWPOINT

Endogenous growth – treat with care

by Samuel Brittan

An eminent Cambridge economist of yesteryear, Sir Dennis Robertson, once wrote that if you remained in the same place long enough economic fashion would eventually catch up with you. But it is still worth glancing at the most recent phases of the fashion cycle when they are used to rationalise the latest economic policy shifts.

An instance is the whole group of theories known by the unwieldy name of "endogenous growth", of which you will hear more. For they have been called into play in relation to some Clinton policies, above all the investment credits proposed in the president's fiscal package. These theories are also cited by the French Commissariat General du Plan, which is still alive and kicking, but as a source of long-range analyses rather than of immediate policy.

There is nothing particularly new about the policy thrust of endogenous growth theory, which is to support government efforts to boost investment. Such efforts were regarded by many development economists as the key to growth in the postwar decades; and their critics long ago devised the name "growthmanship" as a putdown. Nevertheless plans to boost investment or savings, separately or together, were the mainspring of many development plans prepared for third-world countries, with disappointing actual results. In Britain, Reginald Maudling, who was Conservative chancellor from 1962 to 1964, boasted that British investment incentives were superior to any in the west.

The pendulum later swung against so much emphasis on investment, partly because of disillusion with its fruits and partly because of greater emphasis among policymakers on open trade policies, deregulation and the development of attitudes and skills favourable to growth.

Mainstream economic theory was also called in aid by the sceptics. The reasserted orthodox view was that the growth of output depended on technical progress and the growth of the labour force. Investment was necessary to support this growth; but any attempt to force the pace by installing capital more quickly would lead to rapidly diminishing returns.

Scepticism about the effects of investment was also supported by more down-to-earth "growth accountancy", pioneered by an American economist, E F Denison. He and his followers found that quantifiable factors such as investment, or the expansion of the labour force, explained in typical cases no more than half a country's recorded growth rate. This left a large residual which could be attributed to technical progress, higher educational standards, market liberalisation or whatever other factor caught the analyst's fancy.

The "endogenous growth" theories are essentially a comeback by the pro-investment school. The assertion is that capital is the key to growth after all, and that the true return to investment is much higher than the market one. The word "endogenous" was used to suggest that the technical know-how to support more output and a superior range of products was not something existing in a vacuum but came out of the investment process.

A survey of the new theories is provided in the autumn 1992 issue of the Oxford Review of Economic Policy (published by the *Oxford University Press*). Many of the contributions are mainly concerned with mathematical possibilities. An important exception has been the British economist, Maurice Scott, who in his New View of Economic Growth, first published in 1989 (also by OUP), brought in a good deal of evidence to support his assertions in an unpretentious way, and which is only belatedly receiving the attention it has always deserved.

The gap between social and marginal real returns to investment

Non-residential business sector	UK 1951-73 (Per £)	US 1948-73 (Per $)
1 Marginal social return	0.123	0.130
2 *less* marginal taxation	-0.026	-0.028
3 *less* learning externality	-0.044	-0.054
4 *less* demand externality	-0.036	-0.032
5 *plus* 'animal spirits'	+0.039	+0.035
6 *equals* marginal after-tax return to typical shareholder	0.056	0.051

Capital and output

1900-79 (Average annual % changes)

	GDP per capita	Non-residential capital stock per employee
Germany	2.2	2.4
Italy	2.5	2.8
Japan	3.1	2.6
UK	1.4	1.4
US	1.5	1.5

For explanation, see text
Source: Oxford Review of Economic Policy, Winter 1992

Scott has tabulated his reasons for believing that the return to the individual investor much understates the true "social" return from installing new capital. The first, which is fairly clear-cut, is that part of the gain is taken away in tax.

But a second and bigger reason is what he calls the "learning externality". By this he means that the benefits of investment by one firm spill over to benefit others. For instance, innovation in one industry may for a time lead to abnormally high profits. Even if these are eliminated by competition, the benefit to the customer of cheaper and superior products remains.

A third discrepancy arises from what is called the "demand externality". If all firms invest more, output and income will grow more quickly, thus increasing everyone's markets. On plausible assumptions about market structure, this will increase the returns to the original investment compared with what would have happened if one firm had invested on its own.

Both investment and innovation are parts of a single process. The true link is called entrepreneurship

(This "demand externality" is not the same as the short-term stimulus to output which comes from interest rate cuts or budget deficits. It is rather the counterpart of a long-term increase in the economy's productive potential and therefore in its purchasing power.)

A fourth factor acting in the opposite direction – tending to exaggerate investment returns – is called "animal spirits". This has become a technical term to describe the tendency of professional management to pursue greater size and growth beyond the point which would maximise their shareholders' wealth. It is one distortion making for too much investment and partly offsets all the other forces making for too little.

Scott has deliberately chosen the postwar golden age for his table, when there really were such animal spirits. Since the 1973 oil shock, a negligible amount would have to be allowed for them. But even in the earlier period, they were not enough to prevent the true estimated social return on investment from being twice as high as the private one.

The wiser exponents of "endogenous growth" are very cautious about recommending a helter-skelter drive to subsidise every kind of investment. Scott warns about the "scope for special interest lobby, not to mention corruption", if attempts were made to discriminate between projects on the basis of their contribution to growth. He concentrates mainly on the deterrents to savings in the tax system and on the case for a budget surplus to increase the national savings total. Even here, however, he is very cautious about making room for more capital spending unless investment actually increases to fill the gap, which "writing in the midst of a bad depression must be the immediate concern".

But it would be dishonest of me to stop with these prudential considerations. Many of the real world influences favouring growth are ignored by the new theorists. As the introduction to the Oxford Review remarks, "government thinking about reforms of the regulatory environment receives virtually no support".

Simply looking at the figures, it seems pretty clear that output and investment rise roughly in the same proportion in most countries at most times. Investment seems to me a product rather than a cause of the growth process. Of course, some of the benefits of investment, as of the skilful use of labour or of other inputs, spill over to others beyond those directly responsible. This is a fact of economic life with which we can live.

The strongest aspect of the new theory is its opposition to the stark division between technical progress and investment in the older mainstream theory, which overlooks the all-important "learning by doing". But I am not convinced that putting all the emphasis on investment is right. Investment left to itself is just a cost; and I doubt if the key to prosperity is to throw bricks and mortar, machinery or research laboratories at problems.

Both investment and innovation are parts of a single process of seizing opportunities. The true link between these factors is surely entrepreneurship, which is equally ignored by the mainstream classical theory and its more interventionist challengers.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Reviving UK manufacturing by consensus

From Mr Roger Lyons.

Sir, It is significant that Mark Radcliffe of the CBI's National Manufacturing Council, in writing about the decline of manufacturing in the UK (Letters, March 1), has little to say about those who work in industry.

Yes, the government must play its part. Yes, the "best people" must be attracted into industry by spreading best practice. But nothing is said about those at the sharp end of the decline – the millions who still work in manufacturing and the millions who have lost their jobs in the last two recessions.

It is becoming widely acknowledged that we will not solve Britain's underlying economic problems without a reconstruction of our manufacturing base. But this will not be achieved by the sort of methods which became the accepted norm in the last decade. We need a consensus to grow and it needs to be based on frank and open discussion between the government and *all* who work in industry.

To quote Dr Carl Hahn, former chairman of Volkswagen, who spoke at the Royal Society of Arts in London last week: "Industry needs informed and knowledgeable input from those working on the assembly line and shop floor – and that requires a new approach entirely to attitude, communication, to education, training and management."

Those are sentiments which MSF, as a union representing a quarter of a million skilled and professional employees in manufacturing industry, heartily applauds.

But how can that new attitude be fostered? Certainly not by management *diktat* or by ministerial disdain.

In our industrial strategy document, Manufacturing Matters, to be launched next week, we call for the Department of Trade and Industry to establish a manufacturing forum to start the dialogue. It would allow Britain's social partners to forge a consensus on the causes of decline in manufacturing, the nature of the remedies and responsibilities for future success.

Can we expect the CBI's National Manufacturing Council to join us in pressing this proposal?

Roger Lyons,
general secretary,
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64/66 Wandsworth Common,
Northside,
London SW18 2SH

Community finance would give fillip to Merseyside infrastructure and training

From Mr Jack Stopforth.

Sir, It makes for easy copy to categorise Merseyside with Corsica ("Merseyside covets neighbour's lifestyle", February 26), because of the possibility of the area's receiving Objective One status from the European Community, but it does not explain the benefits we may see as a consequence.

Per capita income in Merseyside is 79.8 per cent of the EC average; Corsica's equivalent figure is nearer 40 per cent. Merseyside's problems are the social consequence of a sophisticated regional economy that has no need to employ people in the numbers it once did.

Merseyside's main traditional employers – docks and cars – are performing well. The Mersey Docks and Harbour Company, Ford and Vauxhall are successful businesses employing high technology instead of people. Objective One finance, in the absence of regional policy from Westminster, provides public funds to stimulate new infrastructure works and training to try to cope with the displacement of people by capital plant. An expanded Liverpool Airport would help enormously.

Do we envy Manchester? We envy its clever politicians, whose plans for Manchester Airport and the Olympics bid have attracted massive public subsidy without provoking press fury. And we envy the fact that, as the centre of the north-west's media industry, journalists based there prefer to castigate Liverpool rather than incur the wrath of friends in Manchester. The Liverpool business community wishes Manchester Godspeed, but envies the blind eye its problems enjoy in the media.

Jack Stopforth,
managing director,
Stopforth Bright Anderson,
Exchange Court,
26 Exchange Street East,
Liverpool L2 3PH

Single transferable voting empowers electorate

From E M Syddique.

Sir, Gary Titley MEP is correct in writing that the single transferable vote system strengthens the political "bosses" (Letters, March 1). Indeed, it strengthens those who should be the real political bosses – the voters. It removes the power of political parties to decide the order of lists, as in some systems of proportional representation, and thus who is elected.

The final result of the 1992 Irish general election was delayed for technical and legal reasons arising from recounts. But such delays are rare. With more modern techniques, the counting process could be speeded up.

The members of the Plant Commission may well have misled themselves in saying the STV system is "capricious". Candidates are only excluded when they have no hope of election. The transfer process carries out precisely what the voters have instructed on the ballot paper. There is a mathematical logic to the procedure. The ultimate result in each constituency is what most voters wanted, and while politicians might not like the outcome, they must accept it. In every STV result one can see a clear link between the votes cast and the outcome.

What is more, every MP is accountable to those electing them. STV is a very sensitive system which gives immense power to the voters, which political parties might not be happy for them to have. Representing the voters' interests is surely a quality to be commended in a voting system.

STV in practice is as proportional in party political terms as any party list system which does not aggregate votes nationally. Contrary to Mr Titley's view, I would suggest that STV makes for very effective constituency representation because of the direct accountability of every MP.

It is telling that the Irish electorate has twice rejected by referendum attempts to abandon STV.

E M Syddique,
Electoral Reform Society,
6 Chancel Street,
London SE1 0UU

Austria's farmers not so independent

From Mr Christoph Ull.

Sir, I am glad that David Richardson ("Touring Europe's green and set-aside land", March 2) shares my concern about the living standard of farmers in Austria, especially when the country, in the heart of Europe, becomes a member of the European Community.

Nevertheless, I stress that Austrian farmers are not so independent as the article suggested. Most of them are organised in the *Raiffeisenverband*, an organisation paying a fixed price for their agricultural products. They are also supported and protected from foreign competition by the Austrian government – but that is not really independence.

Austria will be a part of the European common market in the near future, in which the farmers will face international competition anyway. They should switch to a more specialised production, combined with a high level of quality. Austria should be part of the European family, as problems are solved more easily if you are a member of the family than if you are not.

Finally, I would like to remind Mr Richardson that Austria does not only consist of farmers, although they are a very important part of the Austrian population.

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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Thursday March 4 1993

Last chance in Russia

FAILURE BREEDS failure. In Russia today it even seems predestined. But despair is an unaffordable luxury, unaffordable for the Russians and unaffordable for the west as well. Russia is a country of vast resources, copious skills and great importance. No effort should be spared to prevent it from sinking into chaos or returning to an inward-looking despotism. It is this thought, not fear of failure or worries about relatively small sums, which should inform the reconsideration of policy towards Russia to which the Clinton administration is committed.

In any such reconsideration, the administration – indeed the west as a whole – needs to ask itself a few *fundamental questions: how* much does Russian reform matter? What are the political and economic obstacles to success? And how can the west improve the chances?

After spending trillions of US dollars in protecting itself against the alternative, the west should need no persuading of the desirability of a democratic transformation. Given Russia's location, resources, historic significance and nuclear armament, few foreign policy goals can rival the desirability of Russian success.

Why have things been going wrong? Russia's flirtation with hyperinflation and the continuing collapse in industrial output are not the fruit of "shock therapy". On the contrary, they reflect a failure to impose shock therapy. The government did liberalise prices, but it inherited the disintegration of central planning and the breakdown in political and economic relations among the successor states of the Soviet Union. It also had to suffer an explosive increase in central bank credit.

It is not the unique properties of the Russian soul which make it so difficult to introduce the market economy. History is littered with the reputations of pundits who declared that countries could not manage the market economy, until, unexpectedly, they did. Russians are as entrepreneurial as anyone else. Under hyperinflation and grossly inadequate property rights, however, their entrepreneurship is inevitably revealed in speculation, black marketeering and gangsterism.

A part of what has made reform so difficult is an economic and political legacy more adverse even than Poland's. What has also made it difficult, however, were simple mistakes: Mr Boris Yeltsin's failure to reform the constitution when he could have done so; the central bank's misunderstanding of the relationship between monetary policy and inflation; and the west's refusal to do what was needed to help shift the internal balance of power towards the reformers.

The principal western interlocutor has been the International Monetary Fund. Its goal of stabilisation is right. But it is no use standing on the sidelines, waiting *for a coherent government to come forward* with an implementable stabilisation policy. The west had to help the reformers win their domestic battles. *It failed to do so. No wonder* the Russians joke that "they pretend to give us aid and we pretend to reform".

What does the west need to do? First, it should decide that $24bn a year in long-term assistance – a mere 0.2 per cent of its aggregate gross domestic product – is a price well worth paying for the chances of successful Russian reform.

Second, authority for negotiating and implementing western assistance should be given to a small high-level team working directly for the Group of Seven industrial countries. Third, a substantial amount of long-term assistance – $2½bn-$3bn, plus debt relief – should be given almost immediately, in return for some degree of control over the central bank and the budget.

Fourth, assistance should be provided for balance of payments support; for a comprehensive and politically effective social safety net; for support for long-term investment in viable industries; and for small business development. Finally, all assistance must be conditional, but the conditions should be neither over-detailed nor excessively unrealistic.

It may already be too late to succeed. But it cannot be too late to try. The Clinton administration *should commit itself* to *one big push.* The question is not whether it can afford to take the risk. It is whether it can afford not to.

The Sheffield way

THE 1.5 per cent limit on public sector pay increases announced last autumn is beginning to work. Although the bargaining season proper does not start until April, the government's virtual freeze may stick. The National Health Service unions have rejected 1.5 per cent, but there is no expectation that this will lead to strikes. Teachers have been awarded a similar increase, as have the armed forces. *Other* public-sector employers, such as British Rail, the post office and the civil service, know the facts of contemporary pay *bargaining*.

More to the point, local authorities are getting the same message. Kent County Council was the first to announce a 1.5 per cent increase for its white-collar workers, starting in April. Some 20,000 Sheffield council employees have voted to accept a 3.25 per cent cut in pay, in exchange for shorter working hours. The alternative was 1,400 redundancies. The driving force in this instance was not so much the government's pay ceiling as the realisation by the Labour-run council that it is obliged to produce a budget that *does not breach the limit set by* the Department of the Environment. The department's principal objective has been to ease the new council tax into its first year of operation; it has made it clear that it will not hesitate to cap local budgets where necessary.

Some private companies are proving less resolute than the government. According to Incomes Data Services, settlement levels fell steadily last year, in response to lower inflation and the persistent recession. Yet more than half of the 110 deals recorded in January were for increases of between 3 and 4 per cent. The trend is *towards the lower end of that* range. The CBI estimates that in the final quarter of 1992 manufacturing pay awards averaged 2.8 per cent, while service sector increases averaged 3.2 per cent. The variations at the extremes are mildly encouraging. The number of freezes and pay pauses is increasing, and settlements higher than 5 per cent are reported less often.

If the steady downwards pressure is maintained, the benefits of devaluation may last. This assumes that the government's freeze is not followed next year by *the sequel to* all previous pay freezes – a catch-up explosion.

Polluted land

THE GOVERNMENT has shelved its original proposals for a register of contaminated land, as Mr Michael Howard, the environment secretary, is likely to confirm soon. The motives behind the proposals were sound – the recognition that contamination by metals and industrial chemicals can damage health, and that more information *about the risks should be available*. However, the scheme threatened to be overambitious and unworkable, so a new approach is in order.

The original plans, framed in the 1990 Environmental Protection Act, have come under fierce *attack during* two stormy public consultations. As most recently proposed, the register would have included all land known to have been used by one of several types of heavy industry, regardless of whether it was actually contaminated. Suggestions for a survey of actual contamination were rejected because of the financial burden such an exercise would have placed on many local authorities.

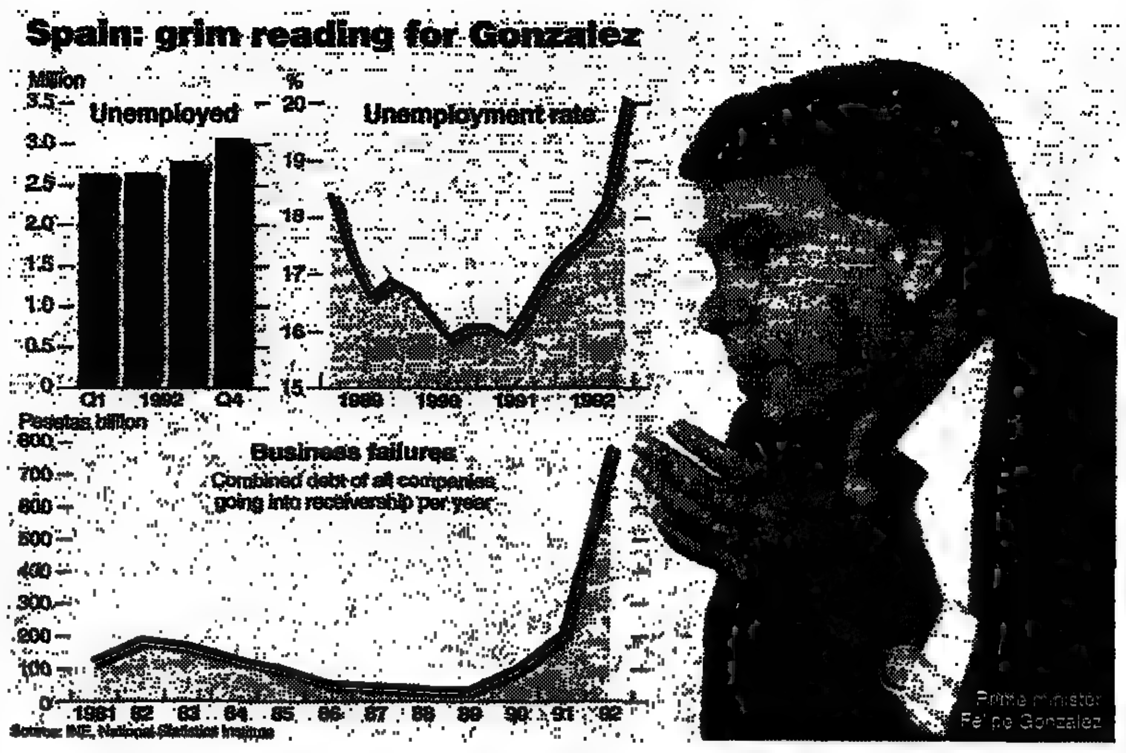
The register's critics - mainly builders and lenders – complained that it threatened to blight property values across much of the country, including perhaps a third of the midlands. Leading banks also warned that the register could inhibit commercial development. They were wary of taking potentially contaminated land as security for loans, because of the risk of a fall in value or huge clean-up costs.

The question is what should *now replace the proposals.* The alternative which Mr Howard is most likely to announce is for a register built up gradually by recording contamination when land changes hands. Under this proposal, which is backed by the Royal Institute of Chartered Surveyors, *the seller of the property* would be responsible for demonstrating that the land under offer was clean.

That solution is workable, but it does not address the problem of assessing the risk to people working or living on contaminated land that is not changing hands. One answer would be to press councils to survey at least the land that is most likely to be contaminated, in order to bring the worst risks to light. This approach would be less ambitious than the original proposals, but would represent a clear move in the right direction.

As unemployment and bankruptcies grow, the mood in Spain is turning against Gonzalez, says **Peter Bruce**

Disillusion after golden decade



Prime minister Felipe Gonzalez

Just four months ago, Spanish Prime Minister Felipe Gonzalez was musing that the election this year would be his last and that he would retire from office gracefully. Now he may not have that choice. The *mood of the country is turning* against him and, for the first time, there are doubts about how long he will remain in the Moncloa palace, his official residence.

An emergency debate on rocketing unemployment in the Cortes, Spain's parliament, on Tuesday turned into a litany of accusations against him, and almost unanimous insistence from the opposition that he call an election immediately. He will not, but as recession deepens and there is little sign of economic recovery, Mr Gonzalez and Spain are in more trouble than they have been for a decade.

Just over 10 years ago, in opposition, Mr Gonzalez was hurling insults across the Cortes debating chamber. The government was crumbling, riven by internal dissent and incapable of responding to the growing economic crisis. He was merciless. "I would be ashamed to be running a country with 2m unemployed," he is reported to have said a few months before winning his first term in office in 1982.

He may feel differently now, however. Spain does not have 2m unemployed; it has more than 3m. With an election due before the end of *November, Mr Gonzalez's Spanish* Socialist Workers party is united only by its fear of defeat.

The government's own polls show it losing 20 seats and, thus, its parliamentary majority. The latest polls were taken in November, three months before the National Statistics Institute revealed a record 3.05m Spaniards out of work. The figure was more than half a million more than the Gonzalez government had predicted at the beginning of the year. The government had also failed to deliver on its 1989 promise to create 1.2m jobs during this four-year legislature.

As the economic outlook grows bleaker, Mr Gonzalez must be pondering the mistakes of his third term in office. He dithered for two years before starting the deregulation of Spanish industry, and making it easier to hire and fire workers. Even now, little deregulation has been undertaken and labour market reforms are stalled.

In the past 12 months, he has hurried to recover lost ground and stumbled in the process. He has tried to equip Spain for European economic and monetary union by meeting the tough convergence criteria of the Maastricht treaty. He has cut unemployment benefits, and wanted to reduce income tax. But as the 1992 budget deficit doubled over the previous year to a trillion pesetas, he had to abandon tax cuts in order to finance spiralling government debt. Speculation last autumn against currencies in the exchange rate mechanism led Spain into two devaluations to prevent an overvalued peseta from being forced to exit from the system. It has lost 16 per cent of its value against the D-Mark since last summer.

Mr Gonzalez, long viewed as pragmatic for his market-oriented policies, so is increasingly seen as dogmatic. His own party is criticising him for risking electoral defeat by not raising public spending, cutting interest rates or further devaluing the peseta – moves he says would threaten EC economic convergence.

"He is either being strangely principled for a politician or he has just run out of ideas," says a leading businessman. But while the business community has turned against the government, its attacks on Mr Gonzalez are being led by the employers' umbrella body, the CEOE, and not by individuals.

This is because there remains a possibility that the prime minister will form the next government. He still has some powerful cards to play to different audiences. His apparently tight fiscal stance is aimed at convincing the foreign financial institutions that trade in Spain's currency and debt that speculation against the peseta will be firmly resisted. But at home, the 1993 budget allows him some leeway. Spending is up by 9.3 per cent over last year's target while the economy is forecast to grow by less than 1 per cent.

On the timing of the election, Mr Gonzalez also has the upper hand. He can wait until the end of November if he chooses. By then, Spain's inflation rate, now at an annual 5.4 per cent, should have slowed because of the recession and interest rates should have slipped below their current 13 per cent.

Such developments might not make an immediate difference to employment, but the prime minister knows how to capitalise on even a little good news. He and and his finance minister, Mr Carlos Solchaga, are a formidable duo. Faced with mounting calls for action on unemployment, the two last week quickly assembled a Pts300bn (£1.76bn) emergency plan to slow job losses by lengthening temporary job contracts and helping small businesses. They promised it would be financed mostly by the EC, but the Community has yet to be asked for the money.

The package was attacked by the opposition in parliament on Tuesday as too little, too late. There is some merit in that view since the plan is unlikely to have much impact on the economy before the election, and may not even be implemented in full. There will probably be other such plans in coming months as the Socialists' political fortunes ebb.

For Mr Gonzalez the challenge is to keep his most dangerous opponents – the conservative Partido Popular and the communist-led Izquierda Unida – at bay, while convincing his own party that power has not slipped away yet. It will not be easy: the party is split as a result of the economic downturn.

A badly managed attempt to regulate strikes has thrown the Socialists' disarray into sharp relief in the past few weeks. Business welcomed a tough draft law presented to parliament by the government last year, but was shocked last month when a significantly watered-down version was forced through parliament after "talks" between the party and the unions.

Mr Jose Maria Cuevas, the CEOE president, called the new law "a declaration of war", prompting Mr Gonzalez and Mr Solchaga to promise it would be tightened up. This pledge angered the party and has done little to appease the business community, struggling under high interest rates. Receiverships have reached record levels (see chart).

Galvanised by the government's troubles, Mr Jose Maria Aznar, the young PP leader, appears convinced he can topple Mr Gonzalez. Before Christmas, polls put his party just 5 points behind the Socialists. PP officials are convinced their political outlook has improved since then.

For the first time in a decade, the *conservatives have* carved out an economic policy that may succeed in capturing the middle ground. It comprises a supply-side package of tax cuts, privatisations, elimination of industrial monopolies and infrastructure investment. Even the unions have not taken offence.

But these are early days and Mr Aznar could stumble before Spain goes to the polls. Determined to win, he appeared last year to offer the leadership of any government he formed to the Catalan regionalists if they joined him. Last month, eager to capitalise on exchange rate troubles, he suggested that he *would not be opposed to leaving the* ERM, thus increasing pressure on the peseta. Leaving the mechanism is not PP policy.

Overall, Mr Aznar tends to become side-tracked by the PP's political obsession – accusing the government of corruption. He faces the danger that the government will encourage the PP into focusing solely on this issue, something Mr Gonzalez could tackle quickly and efficiently, rather than on the economy, about which he can do little.

Barring a decisive economic upturn, however, there seems little doubt that the Socialists will lose their parliamentary majority when Mr Gonzalez holds the election. It is also unlikely that he would serve another full term after forming a government. If they contain the loss to no more than 15 seats, they could still form a minority government. If they lose more than 15, they will have to form a coalition, with the Basque or Catalan regionalists or with the communist IU.

The denouement of this political set-piece promises to be protracted. Spaniards know that the decade of democratic and economic development under Mr Gonzalez is drawing to a close. A home he is building in the smart suburb of Somosaguas, north of Madrid, is, say neighbours, being completed in great haste. It would be one of his lasting regrets if he were not able to finish the modernisation of the Spanish economy with the same dispatch.

Derivatives – a delicate balance

PERSONAL VIEW

Derivatives trading has become the most significant growth area in financial services. BIS estimates of amounts outstanding in important exchange-traded and over the counter contracts show growth from some $1,000bn five years ago to $8,000bn at the end of 1991.

These figures give an exaggerated impression. Credit exposure in any contract at any time is only a small proportion of the nominal amount. We cannot be complacent, however, *in the face of the great weight of* these markets. Chief market participants include banks, whose earlier credit judgments led to over-commitment to sovereign debt and then to highly geared or over-concentrated domestic lending. The intermeshing of markets exposes the system to risk of cross-infection and mishap on a larger scale than ever.

Conversely, these markets have brought benefits in an uncertain environment, enabling investors and corporate treasurers to identify risks to which they are ready to be exposed and to take insurance cover where they are not. Derivatives do not add risks to the system. They provide the ability to identify, price and transfer existing risks.

A balanced approach to regulation is needed, neither cramping the energy and innovation of these markets, nor tolerating inadequate standards or risk. Five principles of a viable approach might be these:

● Initiative on an international basis. The flexibility and mobility of derivatives trading means that the possibilities for regulatory arbitrage, *if playing fields are not level*, are enormous. Development of regulation should be collaborative and international, building on the work of the BIS, IOSCO and the Group of 30. The first requirement is for a shared understanding of problems.

● Practitioners must be involved. Complexity change in modern financial and derivative markets means that no regulator can be confident of sufficient understanding without practitioner input. It was partly the inflexibility and inadequacy of some national regulation which drove substantial derivatives business off-exchange, off-shore and off-balance sheet. Concern at the risk of regulatory capture is insignificant compared with the need for the best market knowledge practitioners can contribute. The work of senior market practitioners in the Group of 30, led by Sir Dennis Weatherstone, and the efforts of the International Swap Dealers' Association in establishing standard contracts are welcome.

Derivatives do not add risks. They provide ability to identify, price and transfer risks

● As derivatives contracts provide an efficient, flexible means of covering against specific forms of market risk, the focus should be on credit or counterparty risk. The preference of some exchanges to push all derivatives business into exchange-traded contracts should be resisted, as the flexibility of OTC contracts has greatly benefited market participants. The greater the determination to leave the customising capability of the OTC markets undisturbed, the greater the priority of enhancing legal certainty in the netting of transactions, thus shrinking the outstanding counterparty or credit exposure in the market. The aim should be to give some regulatory acknowledgement to netting through appropriate structuring of capital requirements, akin to *the inducements provided by securities* regulators to diversification of liquid equity portfolios.

● There is need for improvement in reporting and disclosure standards to promote understanding among market practitioners of the complex risks they are undertaking, above all in writing options. Importance should be attached to the establishment of credit assessment and audit arrangements separately from the trading desk.

● National regulators should question and even curtail the operations of entities in their sphere of responsibility where there are doubts.

Henry Kaufman has argued that these issues cannot be dealt with without a dedicated institutional capability, and that a new international institution should be established.

On the other hand, this business is concentrated in the financial centres of the G7 countries. There is need for promoting adequate regulatory initiative and convergence among these countries before concluding that there is need for a new international bureaucracy. A high-level international oversight group may eventually be necessary.

David Walker

The author is deputy chairman of Lloyds Bank and former chairman of the Securities and Investment Board.

OBSERVER

Sir Bryan gets the call

■ One of the first big jobs of any new president of the CBI is to find his successor, so its Centre Point headquarters yesterday emitted a puff of white smoke signifying that former Post Office chairman Sir Bryan Nicholson is being groomed as the senior voice of British industry and commerce at home and abroad.

It will be another 15 months before the current president, ex-Unilever boss Sir Michael Angus, steps down. But the CBI is rather like civil service departments in the matter of planning succession. Clearly, Sir Bryan has proved his mettle in its committees and is being prepared for permanent membership of the great and the good.

Despite present unemployment levels, finding the right man for the job is less easy than it may sound. It's a two-year unpaid post, involving at least two days' work a week. True, it has perks such as a chance to hobnob with the prime *minister and pontificate* about what's wrong with Britain. But it's not a job suited to a chief executive who is trying to run a business full-time.

Both Angus and his predecessor Sir Brian Corby of the Pru were at the end of their executive careers when *they got the call*, and Nicholson has just given up *running* the Post Office. He looks as good a choice as any, although the CBI won't say whether it tried to sign up others such as Guinness's Sir Anthony Tennant, or Shell's Sir Peter Holmes.

Hogg wash

■ Having bequeathed the chairmanship of Courtaulds Textiles to chief executive Martin Taylor, Sir Christopher Hogg predictably spent yesterday morning on the telephone to his four biggest shareholders arguing that he was not cocking a snook at the Cadbury recommendations. "Three said fine; one thought it a pity. But that was a Scottish institution, so they are more remote." Aha.

Wedding smells

■ The phrase "marriage of convenience" has been given distinctly earthy overtones by a report from the North Brabant Christian Farmers' Union on the reasons behind the weddings of 200 pig farmers over the past five years.

It seems they married not for money, but for manure.

With more pigs than people in the Netherlands, the authorities are worried that the animals' excretions will outweigh the absorbent capacity of the soil, endangering water supplies. So

'We're going to give you a long slow shock'

quota restrictions have been imposed *on the amount of dung* the farms may produce.

The effect – since quota rights can be acquired by inheritance – is a bullish marriage market for farmers' daughters as their hands are sought by other farmers wanting to boost their manure allowance.

Wrong note

■ The menu for today includes nine freshly grilled humans, candidates for one of the top jobs in British journalism: the editorship of the 150-year-old weekly, The *Economist*.

Each will be given an interview – or *viva voce* in the language of the media branch of the Oxford University mafia – by a committee composed of troubleshooter-extraordinary Sir John Harvey-Jones, Cadbury Schweppes's Dominic Cadbury, and Frank Barlow, *chief* operating officer of Pearson, owners of the Financial Times.

The procedure will be straightforward. Starting prompt at 9am and in alphabetical order, the nine will have half an hour apiece to state their claims. Even so, Oxonians' habit of reverting to their old varsity jargon has already led to a misunderstanding about the salary on offer.

One Oxford man involved was overheard telling a companion that getting the job would involve "a terrifying lot of vivas".

"But *surely it won't* all be paid in fivers," came the reply.

Well oiled

■ Members of the New York Mercantile Exchange had been *looking forward to getting tanked* up at this evening's 10th anniversary gala in the Waldorf-Astoria.

Deservedly so, too, since crude oil futures now trade almost as much in a day as they did in a whole year at the start, and the exchange *sets* world prices for natural gas and other energy products as well as crude oil products.

Alas, a pall has been cast over the proceedings by the bomb at the World Trade Centre, which crippled the trading floor. Although Nymex has kept open for a short working day throughout this week, traders have been growing unusually *hot under the collar with* the air-conditioning yet to be restored.

Meanwhile chairman Lou Guttman, working round the clock, has had to abandon active campaigning for the mid-March election in which he has been hoping to secure a third term.

Already fighting federal charges that he violated commodity trading regulations in 1989, he must be re-reading Murphy's law.

Objet trouvé

■ For all his chairmanship of Amec, builder of Manchester Airport's £265m new passenger terminal to be opened by Her Majesty the Queen today, Sir Alan Cockshaw looks unlikely to be chosen as one of the trustees of *the northern branch of the Tate* Gallery.

Spotting some chunks of concrete lying around during his pre-opening check on the site, he pointed at them, saying: "You'll get these out of the way before the Queen gets here, won't you?"

"No, sir, *actually*", he was *told*. "It's a work of art."

FINANCIAL TIMES
Thursday March 4 1993

More arrests in Italy as road building contracts face scrutiny

By Robert Graham in Rome

A STRING of roadbuilding contracts throughout Italy were yesterday brought within the scope of corruption investigations, leading to the arrest of businessmen, officials of Anas, the state roads authority, and Mr Gerardo Pelosi, director-general at the Ministry of Public Works.

As the scope of corruption investigations continued to broaden, parliament delayed a decision on waiving immunity on Mr Bettino Craxi, the former Socialist leader. The delay was caused by new evidence which parliament wished to study. This centred on allegations made by Mr Claudio Martelli, the former justice minister and one-time political associate of Mr Craxi, that the latter had been involved in collecting illicit contributions for the party.

Magistrates in Rome and several other cities have been investigating the activities of Anas during the 1980s for at least two months. Roadbuilding accounts for 10 per cent of the annual L30,000bn ($19.4bn) budget for public works contracts. Some arrests had already been made, but yesterday's arrests underscored the extent of the investigation. They involved six Anas officials and seven businessmen, two of whom have already been caught up in other public works corruption investigations.

In addition, a further eight Anas officials and three contractors were warned they were under investigation. The Milan department of Anas was the most affected but others included Naples, Palermo and Reggio Calabria. The action taken in the three southern cities is of particular significance because they cover areas regarded as infiltrated by organised crime and barely touched by the current wave of corruption investigations. The Anas board and its officials have been traditionally controlled by the main ruling parties.

The latest arrests took place against a growing debate among political parties on the merits of introducing legislation to provide a "political" solution to the crisis caused by the corruption scandals.

The government has said it hopes to have legislation ready by tomorrow. But a growing number of politicians, including members of the four-party coalition, doubt the feasibility of framing legislation that does not either impede the course of the investigation or appear to be letting the corrupt and corruptors off the hook.

Fiat bruised by arrest, Page 3

THE LEX COLUMN

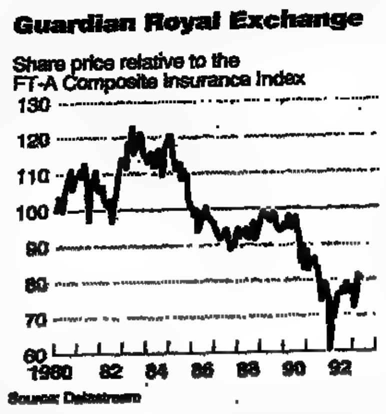
Great expectations

The London equity market's surge to new highs seems a knee-jerk response to renewed hopes of lower German interest rates and the rebound on Wall Street. Yet investors may be a touch too optimistic about the course of UK monetary policy. If one assumes that the chancellor is trying to rebuild his credibility, then his recent statements preclude an interest rate cut for some time. The Bank of England's clear hints that rates are low enough have boxed Mr Lamont in further. So any cut in Germany may not be followed in the UK. That would force sterling higher, weakening export prospects.

Besides, the timing of German rate cuts is finely balanced. To distance itself from last weekend's G7 meeting, the Bundesbank may not cut rates this morning. Waiting until the next council meeting on the March 18 would leave the cut uncomfortably close to the French elections. Nor is it certain that any cut would be rapidly followed by others, given the uncertain German inflation outlook.

Meanwhile, the British results season is proving no better than the rather poor advance expectations, and demands for rights issue money are likely to continue. While the Budget may not produce an interest rate cut, some fiscal tightening seems likely, with rumblings of more aggressive tax increases to come. The chancellor may try to surprise – and for once please – the markets with a PSBR total substantially lower than general expectations. That is thin support for an equity market facing a sluggish and patchy economic recovery.

FT-SE Index: 2918.6 (+36.3)



GRE

The retrenchment at Guardian Royal Exchange is finally paying off. A small pre-tax profit and a dividend unchanged from the reduced level set last year is meagre reward after the best part of a decade of underperformance. But GRE deserves credit for playing itself back into the game. Like others in the sector, it can thank favourable exchange rates for supporting its balance sheet. But the year-end solvency ratio of 51 per cent is also the result of hard graft, shedding business and conserving capital.

Whether it can make the best of this restored position is another matter. Expanding in the UK makes sense while premiums are rising, but the strategy is by no means unique. The commitment of new capital to the market will doubtless lead to softer rates. GRE may arrive too late to pick up the best of the business. Having expanded at the wrong time in the late 1980s, it will have to demonstrate sharper underwriting skills this time around the cycle.

By doing nothing, though, GRE would risk losing touch with its competitors. Since its exposure to mortgage indemnity insurance is limited, there is an opportunity to make up lost ground. Trading at a small premium to net asset value – once the embedded value of the life operation is included – the shares arguably look cheap. But GRE can only add value to these assets if it picks the right risks.

Midland Bank

Midland Bank looks more comfortable now that the merger with HSBC is complete. It no longer has to worry about capital; the restructuring of the UK branch network is largely accomplished; and, since it provided early against losses, it should benefit sooner than other banks from declining provisions. There may not be much more room to cut costs, but, as long as Midland continues to keep them under control, any extra business which recovery brings should yield productivity gains which will help raise operating income.

That, at least, is the theory. The question is whether Midland can deliver. The merger will certainly help bring new business in areas such as trade finance and treasury. HSBC's information technology will give Midland a competitive edge in branch banking. But the other message from its annual results is that conditions are still pretty difficult in the market place.

UK provisions actually rose during the second half. Trading profit was helped by higher treasury earnings since sterling's devaluation, as well as by Midland's hedged interest rate position which allowed it to benefit from lower UK rates. Both will contribute in 1993. Neither will compensate indefinitely for lack of loan volume.

BICC

BICC's management must rue the day it ever ventured into property development. The rubble of another £35m of exceptional property provisions and a £12m property trading loss has concealed an otherwise pugnacious performance.

The Balfour Beatty contracting arm showed remarkable resilience by increasing profits 5 per cent. The cables business suffered more but should now benefit from the revival in the US and Australian economies. The recovery appeal of these businesses has recently pierced the gloom enveloping BICC's property activities and its shares have climbed by two-thirds since October. There may be a little way left to run with the company still yielding some 7 per cent. But last year's dividend again had to be funded from reserves. It will take a while yet to rebuild cover sufficiently to justify raising the pay-out, especially if property throws up any more grisly surprises.

United Biscuits

The market's response to UB's sale of its Terry's chocolate business looked churlish. In truth, the 3 per cent drop in UB's shares may have signified little more than profit-taking after a recent flurry. The deal certainly seems shrewd for UB, which has built Terry's into an attractive chocolate business over the past decade. But with just 3 per cent of the UK market, it was a small player facing sticky growth prospects. The exit multiple of almost 23 was tempting. The £220m proceeds will help reduce UB's gearing to about 50 per cent. It will also give UB flexibility in competing for Royal Brands' biscuit business in Spain.

What Terry's buyer, Philip Morris, hopes to achieve is most intriguing. Its ownership of Jacobs Suchard and its torrential cash flow suggest it could become a formidable competitor in the UK chocolate market, should it so desire. That would be unsettling for Cadbury Schweppes.

Strike at Ford plant after leak of planned job losses

By Robert Taylor, Labour Correspondent in London

LEAKED internal documents from Ford Motor Company revealing plans to close most of its general services business in Germany and the UK yesterday led to a walkout at its Dagenham plant, east of London.

According to the documents, leaked by unions at the company, Ford intends to contract out most of its general services business by the end of the year, in a move affecting 3,000 jobs in its British and German plants, in spite of the risk of industrial conflict.

Service workers at Dagenham staged an unofficial 24 hour strike in protest.

The workers involved are employed in the transport of supplies and parts between Ford plants in the UK and continental Europe as well as maintenance work, electrical engineering and office administration. The company employs 1,482 service workers in the UK and as many as 1,317 of them would be affected by the restructuring plan.

The company says there will be no compulsory redundancies – workers would be redeployed or transferred to the contracting companies.

Reacting to the leak, Ford said it was studying how to implement the plan and the outcome could not be prejudged, but added that it was company policy to use outside specialists where appropriate. Before Christmas the company said it was outsourcing its seat manufacture.

Ford, which confirmed the authenticity of the documents, said it needed to cut its costs and could not afford to retain in-house services when these could be provided more competitively from outside.

In the leaked documents, Ford assesses the strike risks of going ahead with restructuring general services. It believes "the most serious risks" lie with the drivers in the truck fleets who supply key components to its production plants. "A British truck fleet dispute would probably result in the progressive closure of all Ford European manufacturing plants within three days," the documents say.

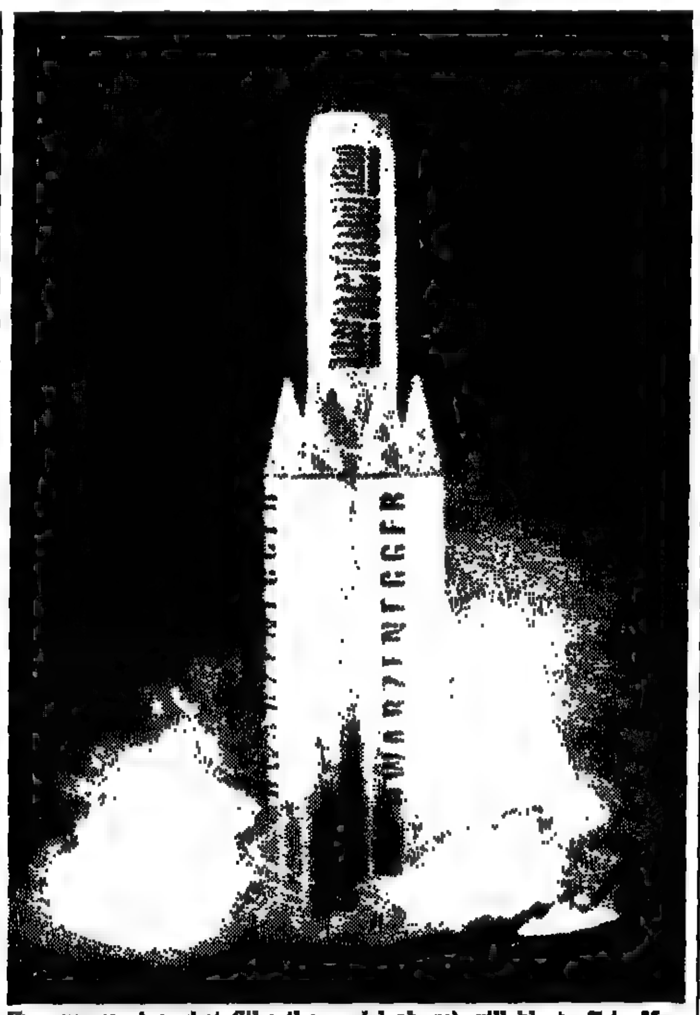
The company calculates that if it decided to reassign or re-source truck fleet business it would "result in a dispute of at least two weeks' duration" because it would mean a loss in earnings and job losses.

The documents say Ford believes the unions would be "unlikely to act swiftly to influence the drivers to end a truck fleet dispute".

Another danger area for disruption would be boiler operations, where a strike could halt production quickly. But the documents also suggest the company fears "a high risk of significant disruption" across all general services.

Union officials are due to meet Ford next Thursday to discuss the company's existing threat of compulsory redundancies in its UK plants.

Mazda and Ford end joint venture talks, Page 16



Hyperspace: A rocket (like the model above) will blast off in May carrying Arnold Schwarzenegger's name in the first US sale of high-flying advertising. The launch promotes his latest film, Last Action Hero. In New York, where shooting began this week, a 75-foot-high balloon of Schwarzenegger towers over Times Square – minus two sticks of dynamite which Columbia Pictures removed to avoid causing offence after the World Trade Centre bombing

US calls for UN talks on latest Serb attacks

Continued from Page 1

secretary-general's views on the need for the use of force by UN troops to implement any agreement on the UK government's views and the most appropriate international response to the crisis.

Meanwhile, Mr Radovan Karadzic, the Bosnian Serb leader, in a letter to Mr Clinton, urged the US to abandon the air drops, because they threatened to ignite a wider war in the region. A Serb mayor in eastern Bosnia also called on the US to stop the air drops, saying land corridors were incomparably safer and more efficient.

The renewed US commitment to the air drops appears much influenced by Tuesday's announcement in Moscow that Russia was willing to join the US airborne relief efforts. A US air force spokesman yesterday said that the US European Command would be sending a five-person team to Moscow to discussdetails of the Russian offer.

A key element in US policy is to engage Russia to the maximum extent possible because of its potential influence over the Serbs. The US administration is also convinced that, in spite of the latest escalation in hostilities, the air drops have helped to persuade the Bosnian Serbs to allow through more and bigger ground relief convoys.

Eleven UNHCR lorries yesterday crossed Serb lines to Gorazde, about 100 miles south of Cerska, carrying 69 tonnes of food and medical supplies.

French try to counter German bid for OCP

Continued from Page 1

per cent of OCP and is its largest shareholder, is understood to oppose the German takeover.

Mr Dieter Kammerer, vice-president of Gehe, said he was shocked by the intervention of the government and pharmaceuticals groups. He said there was no industrial logic for drugs companies to be involved in wholesaling.

Mr Jean-Pierre Duché, OCP's chief executive, supports the German deal. Under the agreement OCP's management would control the German group's wholesaling operations, which represent 80 per cent of its turnover.

Rhône-Poulenc said it was not interested in taking over OCP on its own and would not take a significant stake. Both said wholesaling did not represent a core business.

The Gehe takeover was given the go-ahead this week by the Paris bourse. It is awaiting permission from Commission d'Opérations de Bourse, the stock exchange regulatory body, and the finance ministry. The takeover was expected to have been completed by the end of the month.

Woman defeated by Swiss political heights

By Ian Rodger in Zurich

IT WAS no big surprise yesterday when a majority of (male) Swiss parliamentarians voted down the nomination of Mrs Christiane Brunner to join the country's seven-person Federal Council (cabinet).

Women have made little headway in Switzerland's senior government and business circles.

The new cabinet minister this time had to be, like the outgoing foreign minister, Mr René Felber, a Social Democratic party MP from the French-speaking part of Switzerland. Mrs Brunner, 46, and a trade union leader, was one of only two MPs to fit this profile and agreed to be a candidate. She would have been only the second woman minister in Swiss history.

In spite of being an MP for only 15 months, she won her party's endorsement, partly because she was a woman and partly because she came from Geneva, a canton which has not been represented in the cabinet for more than 70 years. Geneva was ready to declare a school holiday if she had won.

But her casual manner and taste in clothes raised eyebrows in the male-dominated political establishment, as did the fact that she has had three husbands.

After her rejection, women's groups gathered in front of parliament, threw paint bombs and vowed to continue the tough battle for equality. Mrs Brunner herself was in no doubt about the meaning of the vote. "I am disappointed not for myself, but for all women in Switzerland," she said.

As well as the criticisms of her feminism, her style of dressing and her three marriages, an anonymous letter, containing allegations of an unorthodox lifestyle and claiming to have nude photographs of her, was sent to Swiss media.

Mrs Brunner received wide praise for confronting these allegations squarely and demanding a police investigation, but among the grey, cautious men who dominate parliament her image was damaged.

Probably just as important to them was her political record. She voted in a 1989 referendum in favour of abolishing the Swiss army. She also voted in parliament last year against the acquisition of FA-18 fighter aircraft for the air force.

Women in Switzerland have had the right to vote at the federal level since only 1971, and for a much shorter time in some communities. The tiny half canton of Appenzell Outer Rhodes was finally forced by a federal court only three years ago to give women the vote.

Mrs Brunner would have been only the second woman ever to join the cabinet, and the Swiss have not yet forgiven the first one, Mrs Elisabeth Kopp, for her behaviour. Mrs Kopp had to resign as justice minister in 1988 after accusations that she had tipped off her businessman husband about a ministry investigation of his company.

World Weather

		°C	°F
Ajaccio	C	10	50
Algiers	F	13	55
Amsterdam	F	-1	30
Athens	F	15	59
Bahrain	S	24	75
Bangkok		-	-
Barcelona	S	10	50
Beijing	S	12	54
Beirut	S	17	63
Belfast	S	5	41
Belgrade	C	2	36
Berlin	F	-2	28
Bermuda	F	18	64
Bombay	S	28	82
Bordeaux	C	[illegible]	43

		°C	°F
Boulogne	F	1	34
Brussels	C	-1	30
Budapest	Sn	0	32
Buenos Aires	F	27	80
Cairo	S	23	73
Cape Town	S	22	72
Caracas	F	30	86
Casablanca †	S	18	64
Chicago †	R	2	36
Cologne	S	3	37
Copenhagen	C	[illegible]	32
Corfu	F	7	45
[illegible]	S	6	43
Dublin	C	6	43
Dubrovnik	R	8	46
Edinburgh	C	2	36
Faro	F	12	54
Florence	C	9	48

		°C	°F
Frankfurt	S	0	32
Geneva	Dr	3	37
Gibraltar	S	14	57
Glasgow	C	4	39
Helsinki	Dr	-1	30
Hong Kong	F	18	64
Innsbruck	C	2	36
Inverness	Dr	2	36
Islamabad	C	14	57
Istanbul	[illegible]	8	46
Jakarta	R	32	90
Johannesburg	F	23	73
Lisbon	S	9	48
London	C	3	37
Los Angeles †	F	11	52
Luxembourg	F	1	34
Madeira	F	16	61
Madrid	F	10	50

		°C	°F
Majorca	F	12	54
Malaga	S	14	57
Malta	S	15	59
Manila	C	32	90
Melbourne	C	18	64
Mexico City	C	24	75
Miami †	S	21	70
Milan	F	7	45
Montreal †	S	-7	19
Moscow	S	-5	23
Munich	Sn	0	32
Nairobi	F	26	79
Naples	R	11	52
Nassau	C	24	75
New Delhi	S	24	75
New York †	F	2	36
Nice	F	10	50
Nicosia	S	18	64

		°C	°F
Oporto	S	12	54
Oslo	S	-5	23
Paris	F	[illegible]	39
Prague	S	[illegible]	28
Reykjavik	Sl	1	34
Rhodes	S	16	61
Rio de Janeiro	F	35	95
Rome	C	12	54
Salzburg	Sn	2	36
S'Francisco †	[illegible]	12	54
Seoul	[illegible]	7	45
Singapore	F	30	86
Stockholm	C	-3	27
Strasbourg	C	1	34
Sydney	S	20	68
Taipei	C	20	68
Tangier	F	15	59
Tel Aviv	C	17	63

		°C	°F
Tenerife	F	19	66
Tokyo	S	10	50
Toronto †	C	-4	25
Tunis	F	14	57
Valencia	S	15	59
Venice	C	7	45
Vienna	Sn	-1	30
Warsaw	F	-3	27
Washington †	F	8	46
Zurich	Sn	1	34

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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Thursday March 4 1993

INSIDE

Saab-Scania results drag down Investor

Investor, the Swedish Wallenberg family's main holding company, saw income after financial items fall to SKr1.48bn ($191m) in 1992 from SKr2.16bn. This follows a drop in capital gains and a worse performance from Saab-Scania, its wholly owned vehicle and aerospace unit. However, the group benefited from a 26 per cent increase in the value of its share portfolio to SKr23.3bn. Page 16

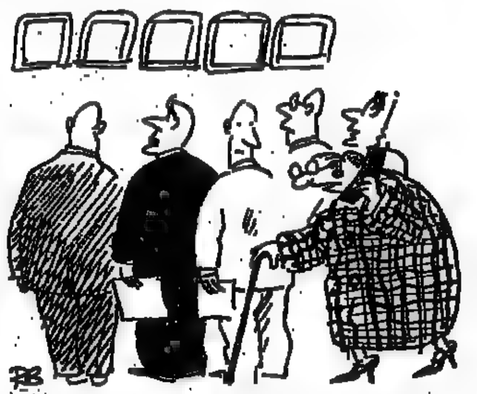
Fears of smaller UK companies

Tomorrow's deadline for responses to the London Stock Exchange's proposed closure of the Unlisted Securities Market has focused often confused arguments about a second market devoted to smaller companies. Participants have grown increasingly concerned that an "equity gap" has yawned before them, making it difficult to raise long-term capital. Page 21

New force in European paper

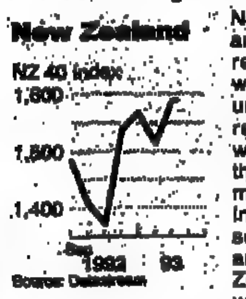
A new player in the European paper and packaging industry, KNP BT emerges tomorrow – after the merger of Holland's top three competitors. With annual sales of Fl 13bn ($7.2bn) it will be the EC's leading paper merchant, its leading producer of fine coated papers, and a dominant player in solid board, used to package fruit and vegetables. Page 17

HK grannies ready to trade



The introduction of traded options on the Hong Kong Futures Exchange is likely to meet strong demand. Analysts believe options will appeal to both local "retail" investors and large institutional investors. Mr Archie Hart, head of research at Crosby Securities said: "There is quite a demand for geared plays in Hong Kong. In what other country do you get grannies who take out swap deposits?" Page 19

An economy on the turn



New Zealand investors are concentrating on results from heavyweight stocks. There is unusual interest in these results because of the widespread awareness that the economy is moving out of recession. Investors are keen to see which companies are coping best as New Zealand comes to terms with its strongest expansionary period since 1984-85. Back Page

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Aachen Mich	890	+	12	CGIP	1151	+	29
Asko	630	+	10	EGF	770	+	29
Kaufhof	454	+	12.5	Redoute	7190	+	140
Falls				**Falls**			
AG Ind & Verk	520	–	8	Chargeurs	1285	–	115
DLW	465	–	10	Gaumont	505	–	21
Heidelb Zem	1030	–	30	Paribas	423	–	13.5
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
ChemTrak	$14\frac{3}{4}$	+	$2\frac{1}{2}$	Kanda Tsushin	530	+	50
Fed Home Loan	$48\frac{3}{4}$	+	$1\frac{3}{8}$	Macross	310	+	35
Fed Nat Mort	$83\frac{3}{4}$	+	$2\frac{3}{4}$	TDF	354	+	34
General Cinema	$35\frac{5}{8}$	+	$1\frac{1}{2}$	**Falls**			
Wells Fargo	$103\frac{1}{4}$	+	1	Canon Elec	595	–	25
Falls				Daihatsu Motor	326	–	27
Woolworth	$29\frac{1}{8}$	–	$\frac{1}{8}$	TDK	3000	–	190

New York prices at 12.30.

LONDON (Pence)							
Rises				Norex	169	+	9
Amberley	30	+	4	Perry Group	146	+	10
Automated Sec	181	+	10	Serco Group	853	+	43
Brent Chems	165	+	9	Sirlar	145	+	10
Bridon	87	+	8	Trans World	75	+	9
Castor	$33\frac{1}{2}$	+	$2\frac{1}{2}$	**Falls**			
Clinton Cards	151	+	10				
Cook (Wm)	167	+	12	European Motor	93	–	8
Cowie (T)	211	+	14	Eurotunnel Uts	488	–	22
Gardner (DC)	27	+	5	Hartstone	149	–	18
Gent (SR)	65	+	5	Radius	84	–	5
Govett	223	+	14	Union Discount	100	–	10
Greencore	269	+	24	Utd Biscuits	379	–	14
Hambro C'wide	46	+	4				

Mazda and Ford drop European production move

By Kevin Done, Motor Industry Correspondent, in Geneva

MAZDA and Ford, the Japanese and US motor groups, have abandoned their four-year negotiations to set up joint vehicle production in Europe.

The breakdown leaves Mazda as the only one of the top five Japanese carmakers without a production base in Europe. This will act as a serious brake on its growth in Europe during the remainder of the 1990s.

Without local production Mazda will be restricted by quotas on direct exports from Japan to the European Community, which are scheduled to last to the end of the decade.

Nissan, Toyota and Honda have European car assembly plants in the UK, while Mitsubishi is developing a joint car production venture with Volvo in the Netherlands.

Mazda said yesterday that "local sourcing" in Europe remained "an important strategic consideration".

"We will be stepping up our studies of possible co-operative ventures with other European manufacturers. We would like to resolve the situation as soon as possible." It refused to comment on reports that it had held talks with Chausson, the French automotive engineering group.

In addition to intensifying the search for another partner for production in Europe, Mazda is studying the shipment of cars to Europe from its joint venture assembly plant with Ford in the US, where it produces the Mazda 636 saloon and the MX-6 coupé.

Exports from the US would not formally be covered by restrictions on direct exports from Japan.

Ford is already shipping the Ford Probe coupé, a car largely developed by Mazda, to Europe from this plant.

Ford owns a 25 per cent stake in Mazda. The two have studied possible joint car projects for Europe but Mazda said yesterday the talks had been discontinued "for the time being".

Ford said the discussions with Mazda had been terminated because of "concerns about the potential profitability of a co-operative European venture. We could not establish mutually acceptable economic results for a joint project."

Volkswagen analysis, Page 16

Property pulls Suez FFr1.8bn into the red

By William Dawkins in Paris

GROUPE SUEZ, the French financial and industrial conglomerate, yesterday estimated it lost between FFr1.8bn ($323m) and FFr1.9bn net last year, its first-ever deficit, due to heavier-than-expected provisions on property holdings.

The loss, the most dramatic evidence yet of the impact of the Parisian property crisis on French financial institutions, represents a FFr5.7bn swing from a FFr3.8bn net profit in 1991.

However, Mr Gérard Worms, chairman, said Suez should make a profit this year now that the heavy provisions were behind it, and would therefore maintain its dividend at the 1991 level.

"The good ship Suez has endured a storm but has not given up to the waters," he said.

Property losses and provisions accounted for FFr4.2bn of the change, he said. By the end of last year, provisions covered 19 per cent of group lending to the property industry.

Mr Worms had earlier warned that Suez would produce the worst results in its 135-year history, but this was well below market expectations of a FFr500m to FFr1bn net profit for 1992.

"The group has had one problem after another. There must be a lot of red faces at Suez," said Mr David Harrington, general market analyst at James Capel in Paris.

The loss showed lack of control on property investment over the past decade, said another analyst.

On top of this, came FFr800m of provisions for the fall in value of the group's equity investments plus FFr700m for the effect of the economic downturn on the group's operating results. Suez was due to have published its provisional results next month, but brought them forward after a steep decline in its share price, "to avoid leaving the market in uncertainty for too long", said Mr Worms.

The group was supporting its banking subsidiaries affected by the property crisis, such as Banque Indosuez, its main banking unit, which received FFr800m in fresh equity from its parent last December.

Banque Indosuez has only lent the equivalent of 4 per cent of total assets to the property industry and more than meets the Banque for International Settlement's capital adequacy ratios, said Suez.

Suez said it would step up its strategy of selling peripheral businesses and cutting costs. It had completed more than a third of the FFr5bn asset sale programme announced last October.

Kraft pays £220m for United Biscuits chocolates division

By Guy de Jonquières, Consumer Industries Editor

KRAFT General Foods International, part of Philip Morris, the large US tobacco and foods group, is to buy Terry's, United Biscuits' chocolates division, for £220m ($312m) in cash.

The deal marks the first serious entry into the UK chocolate market by KGFI, which owns Jacobs Suchard, a leading Swiss chocolate maker, and recently made a successful $1.5bn bid for Freia Marabou, Norway's biggest confectionery company.

UB said the sale represented an excellent deal. But its share price fell 14p to close at 379p yesterday. Analysts attributed the decline mainly to a technical correction after a rally in recent days.

UB expects the sale to enhance its full-year earnings and cut gearing, excluding intangibles, to 50 per cent from more than 90 per cent. It would yield an exceptional profit of £75m in this year's accounts, after a £33m charge for goodwill previously written off to reserves. There would be no significant tax liability.

Terry's earned trading profits of £14.3m on sales of £153m in 1991, when its net assets were £84m. It has about 3 per cent by volume of the chocolate market in Britain and has subsidiaries in France, Italy and the US.

KGFI said the acquisition would give Suchard its own distribution network in the UK, where it has only about 1 per cent of a chocolate market dominated by Cadbury Schweppes, Nestlé and Mars. Suchard's brands include Toblerone, Milka and Côte d'Or.

KGFI said Terry's had a good stable of brands, sales of which could be expanded, in Britain and internationally. It planned to retain Terry's management and allow it to develop the business.

Mr Jack Keenan, KGFI's chairman, said Suchard was unlikely ever to have a large share of the British market. But Terry's was the only acquisition candidate available and offered a profitable niche and a product range that complemented Suchard's own.

UB said that although Terry's had contributed to its European snackfood strategy, it was of greater value to KGFI's expanding confectionery business. The sale would provide UB with increased flexibility in worldwide development of its biscuit and savoury snack operations, which it regards as core businesses.

Lex, Page 14
Background, Page 23

Andrew Baxter reports on how smaller producers are keeping the heat on large companies in the European white goods market

Seeking niches for household appliances

A decade of mergers and rationalisation has changed the face of the European white goods industry that produces washing machines, fridges, dishwashers, cookers and ovens. In 1970, 400 companies had 80 per cent of the European market, but by 1980, the number had fallen to 150, and 10 years later was whittled down to just 15.

Perhaps six or eight producers will soon have 80 per cent of the market, says Mr Vittorio Merloni, chairman of Merloni Elettrodomestici, best known for its Ariston and Indesit brands. Whatever happens, the sharpest concentration in the industry has passed.

Judging by the mood of the remaining smaller companies at last month's Domotechnica appliance fair in Cologne, they are determined to keep it that way. Contrary to some of the predictions five years ago, the $15bn European white goods market may never resemble its US counterpart, which is dominated by four domestic groups.

The conventional view has always been that the leading companies – Electrolux with 20 to 25 per cent of the market, the Bosch Siemens joint venture (15 to 19 per cent), Whirlpool Europe (11 to 15 per cent) and Merloni (about 10 per cent) will squeeze the minnows further in the 1990s.

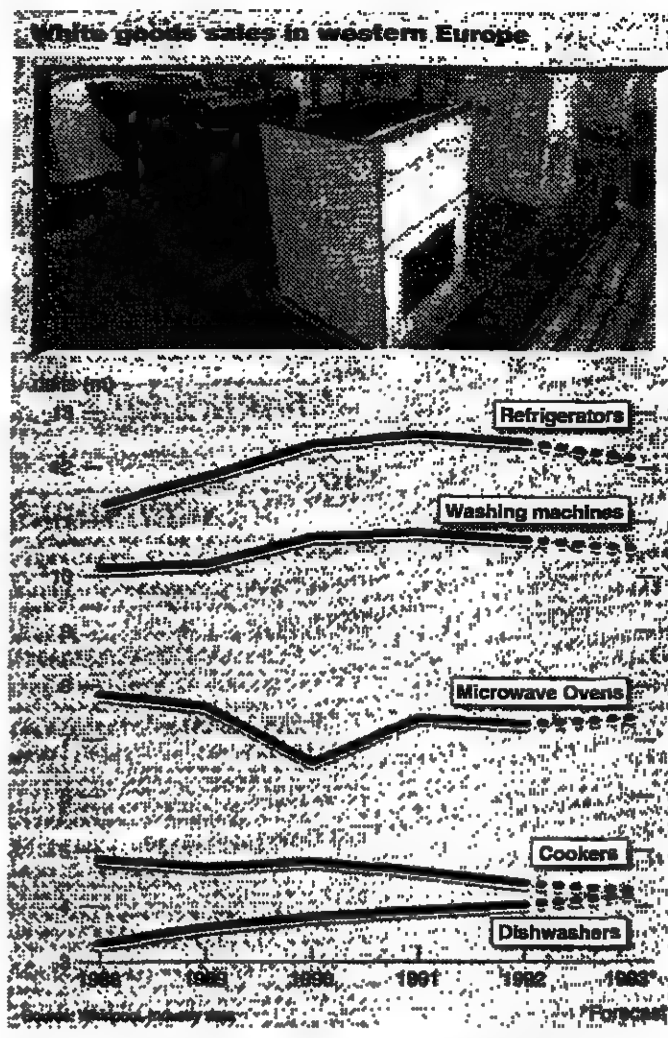
The big companies were formed in the merger mania of the 1980s, and in anticipation of the pan-European single market. The process has now slowed – the only big acquisition announced last year saw Elettrofinanziaria (Elfi), the Italian electronics concern, buy France's Thomson Electroménager to put it on an equal footing with Merloni.

Last year the big companies increased their market shares marginally. Their various pan-European brands are now in place and well defined, and are backed up by synergies in manufacturing and component purchasing.

But the smaller companies have strategies to help them prosper. For one thing, the single market is not as homogeneous as was predicted five years ago and big regional differences remain, particularly in cookers.

Fast-growing producers from countries close to the main European markets – such as Arçelik, the big Turkish supplier – are exporting value-for-money machines. Even Zagreb-based Končar Elektroindustrie is trying to increase exports to western Europe to offset the contraction of its home market – once Yugoslavia, now Croatia.

Within the EC, smaller companies are exploiting niches that the main players have ignored. Crosslee, the Halifax-based tumble drier producer, is European market leader and increasing its market share – sales have tripled to £40m ($58.3m) since a buy-out from Philips in 1986, says Mr Jim Cunnington, director.



A further strategy for smaller producers is to operate independently within a larger umbrella company. Blomberg, Germany's smallest white goods producer, has prospered as a mainly domestic supplier, but is also part of the Elfi group.

After a decade of strong sales growth, the market has gone off the boil. Sales for the seven main types of machines, excluding microwaves, reached 42.6m units in 1991, slipped to 42.3m last year and are expected to edge downwards again this year.

Even the microwave market – dominated by Japanese and Korean suppliers – has cooled off, with sales last year of 7.3m units compared with a 1988 peak of 7.84m.

Big companies were formed in the merger mania of the 1980s

But there are more deep-seated problems for producers: the white goods market is relatively mature, apart from dishwashers and microwaves; consumers tend to run their machines until they fall apart, in contrast to the replacement cycle for cars; and ecological pressures on the industry – notably for the removal of CFCs from refrigerators – are pushing up development costs.

Consequently, producers are now immersing themselves in product innovation to try to shorten the replacement cycle, and stressing "soft" issues such as customer service. This inevitably causes duplication of effort and reduces profitability.

The current market picture across Europe looks mixed. The UK market fell 20 per cent from 1988 to 1991, but declined only slightly last year, helped by strength in the built-in products sector. There is cautious optimism as signs of life return to the housing sector.

The Spanish and French markets also fell last year, by about 2 per cent and 3 per cent respectively, while the Italian market was more or less stable.

The one bright spot in Europe over the past three years has been Germany, where unit sales, excluding microwaves, have grown by an average 6 per cent a year.

Reunification has spurred a growing demand for large appliances in the new German states. And in western Germany, energy-saving features have prompted increasing replacement purchases.

But the outlook is different this year in Germany – the ZVEI appliances and electronics association says the generally subdued mood, price increases and the fear of unemployment are likely to cause a clear decline in demand for appliances.

Mr Leif Johansson, Electrolux president, sees three scenarios for the European market in 1993.

The best case, he says, would see quick reductions in interest rates as Germany realises it is in recession: the worst case envisages continuing unemployment and higher-than-expected interest rates, along with new disappointments on the Maastricht treaty.

The most realistic scenario is in between, suggesting a fall of about 3 per cent in the white goods market.

Whatever happens after 1993, producers have two paths to expanding in a mature market. The first is to take market share from each other. The second is to be well-positioned to exploit the remaining growth opportunities, such as the embryonic dishwasher market in eastern Germany.

Whirlpool Europe's recent performance – a 6 per cent rise in sales to $2.4bn and record operating earnings, in spite of lower shipments – shows how the benefits of a global strategy help the large companies on both counts. But the smaller producers' cycle is still spinning.

Midland Bank sees strong rise to £178m

By John Gapper, Banking Correspondent

MIDLAND Bank, the UK clearer taken over by HSBC Holdings last year, yesterday disclosed a strong rise in pre-tax profits to £178m ($260m) for 1992 against £36m for the previous year. Provisions for bad debts fell to £676m, against £903m.

It will add £242m to HSBC's 1992 profits.

This comprises £89m of pre-tax profits and £122m of restructuring costs and a £31m permanent diminution in property values which it took as losses, but which will be charged against HSBC reserves.

The commercial banking division made profits of £138m against a £50m loss last year. Its provisions fell 31 per cent to £557m.

The merchant banking division, which includes the Samuel Montagu and Greenwell Montague stockbrokers businesses, incurred a pre-tax loss of £33m (down from a £34m profit), due to a bad debt charge of £77m.

Mr Brian Pearse, chief executive, said the bank was starting to see "glimmers of light" from increased economic activity.

Overseas commercial banking operations recorded a loss before exceptional items of £6m.

Operating income from overseas offices fell 14 per cent to £277m and there were losses in France and Italy.

Profits from foreign exchange trading increased by £67m helped by volatility following Britain's exit from the European exchange rate mechanism. Mr Pearse said this was mostly from commission, although the bank had limited positions.

Lex, Page 14

Wallenberg holding group declines to SKr1.48bn

By Christopher Brown-Humes in Stockholm

INVESTOR, the Swedish Wallenberg family's main holding company, saw income after financial items fall to SKr1.48bn ($191m) in 1992, from SKr2.16bn a year earlier. This follows a drop in capital gains and a worse performance from Saab-Scania, its wholly-owned vehicle and aerospace unit.

However, the group benefited from a 26 per cent increase in the value of its share portfolio to SKr23.3bn – at a time when the Stockholm bourse fell 1 per cent – and from a 22 per cent rise in net worth to SKr32.4bn.

The dividend was held at SKr5.25 per share.

Operating income after depreciation fell to SKr3.64bn, from SKr5.05bn. This reflected a drop in dividends received to SKr546m, from SKr685m, and capital gains of SKr2.27bn, against SKr2.61bn.

Saab-Scania's operating income after depreciation also worsened to SKr1.23bn, from SKr1.70bn, largely because of more difficult industry conditions for the company's trucks and buses unit.

Sales at Saab-Scania fell 10 per cent to SKr27bn, from SKr30bn, and income after financial items dropped to SKr716m, from SKr889m. Orders rose strongly to SKr36bn, from SKr28bn, mainly due to JAS39 fighter aircraft orders.

Scania Trucks and Buses posted an 8 per cent fall in sales to SKr16.55bn.

The company said: "The decline in income was mainly due to fewer deliveries and severe price competition, particularly in the west European market."

Mr Lars Kyhlberg, group managing director, predicted that demand would remain weak in Europe in 1993.

Sales at Saab Aircraft fell 21 per cent to SKr3.92bn, although income after financial items rose 8 per cent to SKr163m.

The Saab-Scania figures reflect the financial integration of Saab-Scania Holdings and Saab-Scania AB. They no longer reflect the group's 50 per cent stake in Saab Automobile, which last week separately reported a SKr2.69bn 1992 loss, as this is no longer consolidated.

Investor's main shareholding remains Astra, the pharmaceuticals group. It also holds big stakes in other Swedish blue chip stocks, including SKF, Ericsson, Electrolux and Stora.

Write-downs depress Orkla profits

By Karen Fossli in Oslo

ORKLA, the Norwegian group with interests ranging from paper to food and drinks, saw 1992 pre-tax profits almost halve after a write-down on the group's shareholdings and heavy securities losses. The profit plunged to NKr315m ($45.19m) from NKr608m a year earlier.

Orkla was forced to write down by NKr656m its shareholdings in Elkem, the troubled Norwegian light metals producer, and Uni Storebrand, Norway's biggest insurer. Orkla has a 30 per cent stake in Elkem and had 4 per cent of Uni's shares before the insurer collapsed last autumn.

It also suffered securities losses of NKr381m in 1992, against gains of NKr262m in 1991.

The board proposed to leave the dividend payment unchanged at NKr3.75. Orkla's A-shares rose NKr3 to close at NKr190.50 in Oslo as B-shares rose NKr4 to NKr191.

However, operations performed strongly with sales increasing by 4 per cent to NKr16.8bn last year from NKr16.1bn a year earlier.

Group operating profit increased by 37 per cent to NKr1.2bn in 1992 from NKr870m in 1991. Orkla said the advance was due to improved cost-efficiency, changes in the product mix and increased market shares. Cashflow from industrial activities was put at NKr2.2bn.

Orkla charged accounts with net financial items of NKr606m last year, against NKr632m in 1991. Profits from associated companies increased to NKr112m from NKr41m in 1991.

The branded consumer goods division boosted operating profit by 31 per cent to NKr1.016bn from NKr776m. Food products increased operating margins through cost reductions while household products increased volume and market share. The chemical processing industry division lifted operating profit last year to NKr1.174bn from NKr852m a year earlier.

VW steps up the pressure on suppliers

Kevin Done talks to Volkswagen group executives about the plan to cut its uncompetitive cost base

THE VOLKSWAGEN group, Europe's leading carmaker, is applying heavy pressure on its components suppliers to cut their prices sharply.

Audi, the group's executive and luxury car division, and Seat, the group's Spanish subsidiary, have written to suppliers demanding a 5 per cent cut in prices in 1993.

Mr Daniel Goeudevert, deputy chairman of the Volkswagen group and chairman of the VW volume car division, said that in some cases the VW division was seeking even more substantial concessions from suppliers.

"Maybe we need even more than 5 per cent at VW. We are talking to each of our suppliers. Sometimes we are seeking cuts of 3 or 5 or 10 per cent. It depends on the product and its history."

Mr Erich Schmitt, Audi director of purchasing, said the group had set the goal of reducing the prices of components purchased from outside suppliers by 25 to 30 per cent over the next four to five years, helped by efficiencies from the introduction of new model generations.

The Volkswagen group's belated drive to cut its uncompetitive cost base is creating upheaval both internally and among its German supply base. Audi components purchases from outside the group total around DM7bn ($4.2bn), while Volkswagen division purchases in Europe total around DM15bn.

The group has fallen far behind its rivals in reforming its crucial relations with suppliers. Mr Schmitt said that the number of the group's suppliers would have to be sharply reduced with Audi seeking to cut the number of its first tier suppliers from 900 at present to only 300 to 400 over the next five years.

The group was seeking to cut its costly dependence on German-based suppliers. Around 90 per cent of Audi purchases were still made in Germany "We want to start real global sourcing," said Mr Schmitt.

Mr Goeudevert admitted that the Volkswagen group was lagging seriously behind its competitors. "Everyone in the industry knows that Volkswagen has a cost problem. We must reduce dramatically our cost structures in the next 12 to 18 months. We have two years."

Mr Goeudevert warned that Volkswagen was forecasting a drop of 20 to 22 per cent in new car sales in Germany in 1993 and a fall of 10 to 15 per cent in new car sales across west Europe. "We have two main ambitions. Cost, cost, cost, to lower the break-even level, and quality. There will be no concessions on quality. We must leave for a while the dedication to improving sales volumes year by year. This will be the dedication of management in the next two years," he said.

With its profits plummeting and probably the worst cost structure of any of the volume carmakers in Europe, Volkswagen is facing a period of daunting upheaval to close the gap on its rivals.

A further shake-up of the group's top management is expected to be announced later this month by Mr Ferdinand Piëch, who took over as chairman of the VW group management board at the beginning of January.

Speculation persists that Mr Piëch is still trying to recruit Mr Ignacio Lopez de Arriortua, the head of global purchasing at General Motors and the man credited with giving GM Europe the most competitive purchasing cost base of any of Europe's volume carmakers.

Mr Goeudevert said the VW division was pursuing a 12-point programme to cut its costs including a sharp reduction in the workforce, cuts in materials purchasing costs and lower capital investment, with the delay of some key projects such as the completion of the second stage of a new integrated car plant at Mosel in eastern Germany.

Job reductions were being brought forward with the aim of cutting 12,500 jobs in the VW volume car division in Germany in the two years 1993-94. Originally, these cuts were to have been spread over five years.

Mr Goeudevert warned that if new car sales in Germany and west Europe declined even more sharply than currently forecast "then we must look at a new job reduction programme."

"We are going to reduce output in line with the falling market. We expect to keep our market share where it was," he said. VW is carrying excess car stocks.

VW is cutting 18 production days in the first quarter and 13 in the second quarter of 1993 with the aim of reducing output by 160,000 cars in the first six months.

Expenditure by the group on its automotive operations was being reduced to DM46bn in the five years from 1993 to 1997 from DM51bn previously planned from 1992 to 1996.

Norwegian shipowner to raise dividend

By Karen Fossli

WILHELM WILHELMSEN, the Norwegian shipowner, reported a decline in 1992 pre-tax profits, before extraordinary items, to NKr166m ($23.81m) from NKr205m in 1991, due to the weak international shipping industry.

"It is gratifying to be able to report this after a difficult year for international shipping," Wilhelmsen said, adding that steady progress had been made in most of the group's shipping activities.

The shipowner has proposed lifting its 1992 dividend payment to NKr1.30 a share from NKr1 a year earlier.

Wilhelmsen's shares closed NKr3 up to NKr78 yesterday on the Oslo bourse, on the news the dividend payment would be increased.

Wilhelmsen said that primary operating profit – the difference between revenue and operating expenses – rose to NKr606m in 1992 from NKr584m a year earlier. Ordinary operating profit dipped to NKr221m from NKr240m.

Esab ahead SKr160m despite poor conditions

By Christopher Brown-Humes

ESAB, the world's leading welding equipment producer, said 1992 profits rose to SKr160m ($20m) from SKr9m the previous year, despite a worsening of conditions in the group's key European market.

The group benefited from a SKr99m gain from the sale of its welding robot operations, which helped to offset the impact of SKr28m in foreign exchange losses and a SKr71m provision for further restructuring this year.

Sales fell to SKr6.44bn from SKr6.58bn, while the order intake was virtually unchanged at SKr6.37bn. The dividend was maintained at SKr3.25 per share.

The group said demand for welding and cutting products fell in all European markets, with a sharp downturn in Germany, its most important market.

Conditions are expected to remain weak in Europe this year, although a gradual upturn is predicted in the US and south-east Asia.

Companies seek suspension

By Hilary Barnes in Copenhagen

THREE COMPANIES asked the Copenhagen stock exchange to suspend their share quotations yesterday on fears that they have been defrauded of all or part of their share capital by a Swedish portfolio management company.

The companies are furniture manufacturer Friis Mobler and two small investment companies, Euro-Invest and DGK-Invest. The three companies said they had been unable to trace shares which were supposed to be in deposit with foreign securities dealers. Friis Mobler said that DKr30m ($4.76m) out of its total share capital of DKr100m is missing, while DGK Invest and Euro-Invest said that their entire share capital is missing.

GRE clambers back into the black

By Richard Lapper in London

GUARDIAN Royal Exchange, one of the largest composite insurers, yesterday surprised the markets by announcing pre-tax profits of £3m ($4.34m) for 1992, compared with a loss of £210m in 1991.

The company, which has benefited from rises in premium rates and milder weather in the UK, is the second of the large composite insurers to move back into the black this year, after two years of severe trading losses.

But its maintained dividend of 7p damped investors' enthusiasm. The shares closed only 1p higher at 189p.

Mr Sid Hopkins, chief executive, said the dividend move had helped strengthen the balance sheet.

Analysts had expected losses of between £20m and £40m, but said fourth-quarter trading figures and investment returns had proved to be better than expected.

Like competitors who have already reported better figures for 1992, GRE's improvement was underpinned by a turnaround in the UK, where underwriting losses fell to £170m, compared with £332m in 1991.

Mr Hopkins said that the group was benefiting from "extremely harsh rate increases" and its decision to "cull" bad business.

UK motor losses fell to £17m from £66m, after price increases last year of over 25 per cent. Overall UK premium income fell to £943m from £950m. The group had reduced the number of motorists it insured to 517,000, around 100,000 fewer than in 1991.

It had also benefited from a 2 per cent fall in the frequency of motor claims. About 28 per cent of drivers insured by GRE made claims last year, compared with 30 per cent in 1991. Worldwide non-life premiums grew marginally to £2.24bn, from £2.2bn, with life premiums falling to £821m, from £878m.

Underwriting losses of £314m, against £491m, were more than offset by life profits of £21m, down from £23m, and investment income of £296m, up from £268m.

Staff numbers fell during the year to 7,331, from 8,786, producing cost savings of between £5m and £10m. In the UK, the operating ratio – which measures claims and expenses as a percentage of non-life premium income – fell to 117 from 126.

The solvency margin – which measures net assets as a percentage of non-life premium income – climbed to 51 per cent at the end of 1992, compared to 43 per cent at the end of 1991.

Mr Hopkins said GRE was continuing to review the viability of many of its smaller operations, including some of its London market operations. But it had reached the stage where "selective expansion" was possible. The company was particularly interested in increasing its presence in Asia.

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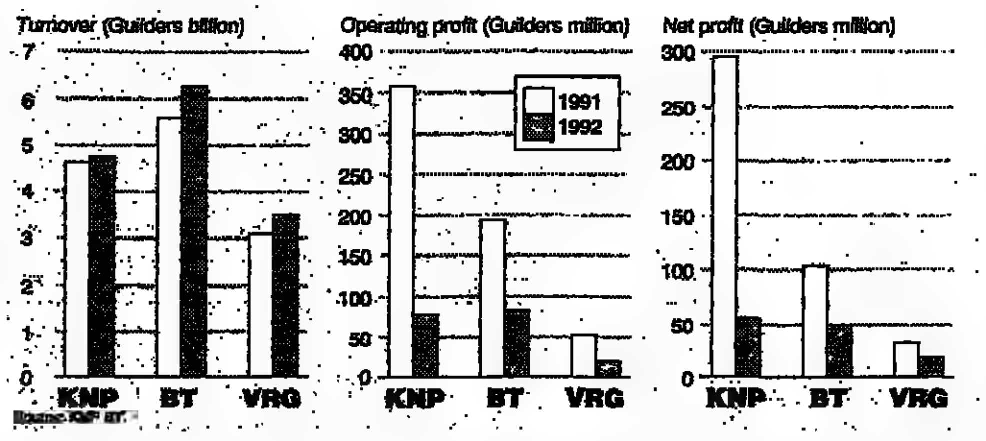
Dutch group aims for a promising package

Merger has created a new force in the European paper industry, says **David Brown**

TOMORROW will witness the emergence of a new player in the European paper and packaging industry. KNP BT, a product of the merger of Holland's top three competitors – KNP, Bührmann-Tetterode and VRG – will have annual sales of Fl 13bn ($7.2bn) and fits just behind Stora of Sweden in the European league.

It will be the EC's leading paper merchant, its leading producer of fine coated papers, and a dominant player in solid board, used primarily to package fruit and vegetables.



Though positioned to cash in on any upturn in the unified European market, KNP BT is emerging in a dismal economic environment. Virtually all players are suffering from over-capacity and flaccid demand, and it is unclear whether the current hopeful glimmerings will translate to more vigorous growth later this year.

In 1992, each of the three partners saw their profits slump, even if none actually spilled red ink.

Mr Robert van Oordt, the former Bührmann-Tetterode chairman who is stepping up to be the new chief, admits he is "not terribly optimistic about 1993. Next year might see an upturn."

KNP BT, whose costs are denominated in "hard" guilders, "can never predict such things as devaluations in Scandinavia or revaluations elsewhere. These can radically change the business overnight," Mr van Oordt observes. KNP BT believes greater diversity through integration will insulate it against cyclical fluctuations and generate cash-flow sufficient to strengthen the balance sheet plus finance investments and acquisitions.

The new group has two business arms: KNP and BT's paper and packaging production, which will be joined into a new Industry operation, and BT and VRG's complementary activities in office products, graphic paper and systems, plus information systems, which will be folded into a new trading and distribution arm.

"If you look carefully … a lot of what we do is paper, but certainly not the majority," Mr van Oordt says.

Only about 18 per cent of KNP BT's turnover up to the six-month point of last year came from paper production (roughly one-fifth of total operating profits); packaging output accounted for a further 30 per cent of sales and over half of profit.

KNP BT's fine branded papers are under heavy price pressure. Demand – steady for most grades through much of last year – has been weakening. For all players, "the name of the game now is to absorb the excess capacity," says Mr van Oordt.

Margins in packaging are also under pressure, although both fine papers and packaging may be among the first to benefit from any cyclical upswing.

A new strategy will come in the office products market. BT's existing activity in the US ranks second after Boise-Cascade, with annual sales of $420m.

After establishing a strong regional base, BT spread nationwide to form what today represents one of the new group's few real growth markets. The ambition is "to replicate" the achievement in Europe. Mr van Oordt sees particularly synergies emerging in office products and information services, using overlapping customer lists to offer complementary services.

At present, office products account for a relatively small slice of the merged business – 7 per cent of turnover but less of total operating profit. Nevertheless, Mr van Oordt says, "we have acquisition plans – very targeted and focused. You will not see huge investments in capacity or acquisitions in the next few years, but strategically-placed expansion in areas like office products, information systems and, possibly, packaging."

Among the benefits of the merger, Mr van Oordt stresses accelerated rationalisation above closures, "better planning of inventories, better logistics and distribution, better use of existing production capacity."

The graphic systems division faces stagnant demand and a serious product overlap. BT sells 25 per cent of the printing machines produced by Germany's Heidelberger. VRG is a leading agent for MAN Roland.

The new group is thus in the odd and unsustainable position of acting as exclusive agent for two competing players. "Obviously very difficult," says Mr van Oordt. The EC merger taskforce, in the second phase of investigating the deal, agrees.

"On the basis of our discussions with … Brussels, we've concluded we will have to make a choice in the Benelux [between Heidelberger and MAN Roland]. We will try to resolve this situation in the first half of this year." One resolution may lie in a management buy-out of the VRG/MAN Roland franchise, analysts suggest.

Another concern lies in paper merchanting, where BT has traditionally traded on its independence from big suppliers. Will its amalgamation into the new KNP BT combine prove counter-productive?

"The merchanting arm will have the same independence as before," insists Mr van Oordt. "We will still buy 75 per cent of our paper requirements outside our own network."

However, he is careful to add: "The world moves on. Closer relationships between suppliers and distributors have become more common … than they used to be."

Whether the merger will deliver the hoped-for benefits remains unclear. Among the outstanding concerns is the clash of personalities and management styles involved in joining three former competitors.

However, coming when the likes of truckmaker Daf, electronics giant Philips and aircraft producer Fokker are either drastically scaling down or falling prey to foreign buyers, the KNP BT merger has the important domestic virtue of being a uniquely "Dutch solution".

N American groups to link fertiliser interests

By Bernard Simon

COMINCO, the Vancouver-based mining group, and Alberta Energy Company of Calgary plan to combine their fertiliser interests in a new publicly-listed company.

The entity, to be called Cominco Fertilizers, will be among North America's biggest integrated fertiliser producers, with annual output of 1.6m tonnes of nitrogen products and over 1m tonnes of potash.

Cominco Fertilizers plans to raise about C$100m (US$79m) through an initial public offering, which is expected to be priced in early April. Following the share issue, Cominco will have a 50 per cent interest in Cominco Fertilizers and Alberta Energy 10 per cent.

The two companies are partners in several nitrogen plants and distribution facilities in western Canada and the midwest US. But the growth of the fertiliser business has had to take a back seat in recent years to Cominco's efforts to turn around its lossmaking, and much bigger, mining and metals division.

The creation of a separate unit and the infusion of new equity is expected to broaden the horizons of the fertiliser unit. Cominco said that Cominco Fertilizers "is examining a number of expansion and growth opportunities".

A Cominco official said yesterday the spin-off would also have the benefit of turning Cominco into a pure mineral exploration, mining and metals processing company. Cominco's fertiliser division posted operating earnings of C$29.1m in 1992 on sales of C$355m.

Woolworth rises to $280m

By Nikki Tait in New York

WOOLWORTH, the general merchandise and specialty store retailer, yesterday reported after-tax profits of $280m in the 53 weeks to January 30 – a considerable improvement on the previous year's $166m loss. Sales in the full year and the final quarter were flat.

The 1992-3 profits total was free of any one-off accounting-related or restructuring charges and came after net profits of $165m in the final three months.

The 1991-2 figure included an after-tax restructuring charge of $250m – to cover an accelerated store redeployment programme – and an accounting-related charge of $113m. The restructuring charge was taken in the fourth quarter of 1991-2, when the net loss totalled $128m. Woolworth said sales in 1992-3 reached $9.96bn, virtually unchanged. The fourth-quarter sales figure was $3.13bn.

The full-year and final-quarter revenues from the specialty stores increased slightly, while general merchandise revenues showed a small decline. Woolworth noted that sales figures had been depressed by the store closure programme, although it said this had a positive effect on operating profits.

In terms of 1992-3 operating results, the specialty stores made a profit of $418m, against $312m in the previous 52-week period. The general merchandise operations recorded a profit of $156m, compared with $131m.

● Tiffany, the upmarket US jewellery retailer, continued to suffer from the decline in luxury goods spending and a decline in sales to Japan during the fourth quarter.

It posted final-quarter profits of $8.66m after tax, down from $12.1m in the same period of 1991-2, taking the total for the year to end-January to $15.7m, compared with $25.5m last time.

● General Cinema, the investment company whose interests range from publishing to a majority stake in the Neiman Marcus retail business, announced an after-tax profit of $31.8m in the three months to end-January.

This compared with $407.2m profits figure last time which was scored after a $39.2m accounting charge and a $419.6m extraordinary gain. Operating profits increased from $43m to $45.6m.

Rockwell to take over Swiss controls company

By Ian Rodger in Zurich

SPRECHER & Schuh Holding, the Swiss electrical engineering group, is selling its low voltage electro-mechanical controls company and the Sprecher & Schuh name and trademark to Rockwell International of the US.

Terms of the transaction were not revealed, but Mr Hans von Werra, managing director of the Swiss company, said it was a cash deal. The business accounted for roughly half of the group's turnover and profit. Turnover in 1991 was SFr494.9m ($323m).

Mr von Werra said the business, which is active mainly in European markets, was not large enough to succeed in the future on its own. Attempts to make an acquisition had failed so the group decided to sell it.

It will become part of Rockwell's Allen-Bradley controls division. Mr Don Davis, president of Allen-Bradley, said the acquisition would strengthen the US group's global market position.

The S & S low-voltage control business, with factories in Switzerland, Italy, the UK and South Africa, will continue under its current management. Mr Davis foresaw joint development of new products by it and Allen-Bradley.

Mr von Werra said that a condition of the deal was that S & S would change its name by the end of 1994. The proceeds would go into industrial investments.

Downgrading for Bronfman

By Bernard Simon in Toronto

DEBT issued by four holding companies in the Bronfman business empire has been downgraded to below investment grade by Canada's Dominion Bond Rating Service.

DBRS said the downgrade, which affects Brascan, Hees International Bancorp, Trilon Financial Corp and Great Lakes Power, reflected the inability of companies in the Bronfman group to raise new debt or equity.

The rating on Brascan's senior debt has been cut to BBB High from A Low. Hees' senior-debt rating has dropped to BBB from A High. Trilon is down to BBB from A. The rating on Great Lakes' commercial paper has fallen to R-2 High from R-1 Low.

New chief at CS First Boston global bond unit

By Patrick Harverson in New York

CS FIRST Boston, the New York-based investment banking group, has announced changes to the management of its global bond business which include the appointment of a new head of fixed-income sales and trading.

Mr Robert Diamond, formerly chairman and chief executive of CSFB's Pacific subsidiary in Tokyo, will return to New York to run the bank's entire fixed-income sales and trading operation, including its Far East business.

He is replacing Mr Thomas Sexton, who has resigned from his post for "personal reasons".

At the same time, Mr Robert Baylis, a vice-chairman of the firm, will move to Hong Kong where he will take over Mr Diamond's old position as head of the Pacific operating unit.

CSFB said the moves were designed to improve the co-ordination of its global bond operations.

Mr John Hennessey, the firm's chief executive, said the moves meant CSFB now "have two of our most senior managers tying together all of our fixed income businesses on a worldwide basis."

The changes at the top of CSFB come at a difficult time for First Boston, the firm's big US subsidiary, which has been hit by some notable staff defections.

Last week, for example, the head of fixed-income research left CSFB to join a fund management group, and several other executives in investment banking and capital markets also moved to other firms.

A fresh option for HK gamblers

Simon Holberton looks at the latest outlet for the colony's investors

THE introduction of traded options on the Hong Kong Futures Exchange tomorrow completes the rehabilitation of an institution which has fought successfully to throw off the bad odour surrounding its closure and reform in the aftermath of the 1987 stock market collapse.

Before the crash, Hong Kong's futures market vied with the Chicago Mercantile Exchange for the exchange which had the biggest volume of daily trade in index futures. That all came unstuck in October 1987 when Hong Kong got a salutary lesson in the meaning of open-ended risk.

Mr Kevin Snowball, managing director of Morgan Grenfell Asia Futures (Hong Kong), says: "We now have a more professional futures market, and the introduction of options is an extension of that."

The exchange will offer a range of traded options built around the Hang Seng Index – Hong Kong's bellwether stock market index – with 56 separate contracts for trading.

Traded options have been two years in the making. According to Mr Gary Knight, the exchange's chief executive, the exchange has put more than 700 individuals through extensive training courses. It has also acquired and customised a version of the Chicago Options Clearing Corporation's clearing system.

"Options have proved themselves to be an essential tool for all kinds of investors," says Mr Knight. "How quick the options market grows depends basically on the education process of all investors. But we take a very long view on the market. We think the stock market will continue to expand on the back of internal growth and because of Hong Kong's proximity to China."

'In what other country do you get grannies who take out swap deposits?'

If the history of futures trading is a guide, then that process may not take much time at all. The index futures began trading in May 1986 with an average daily turnover of 1,600 contracts; by September 1987, average daily turnover had swollen to 27,318 contracts.

Analysts believe options will appeal to local "retail" investors and to institutional investors. Says Mr Archie Hart, head of research at Crosby Securities: "There is quite a demand for geared plays in Hong Kong. In what other country do you get grannies who take out swap deposits?"

Options on the Hang Seng Index will offer the gearing, but unlike futures, where risk can be unlimited, the buyer of an option knows his maximum exposure at the outset.

For the institutional investor, the advent of Hang Seng Index options may also be a boon. Many international investors, especially US funds, have minimum dealing sizes that make trades difficult to execute in Hong Kong.

The reason is much of Hong Kong's stock market listed equity belongs to family owners or large mainland Chinese investors. Tradeable equity in Hongkong Telecom is 21.6 per cent of issued capital: in Citic Pacific, 40 per cent: in Hutchison Whampoa, 59 per cent.

If the traded option on the Hang Seng Index is successful, and most think it will be, then the next step is for individual stock options to be traded. Last week, both Chicago and New York began trading an option on Hongkong Telecom's ADRs.

But the futures exchange is not likely to carry trading in stock options when they appear. That seems likely to be the province of the Hong Kong Stock Exchange which, as a prelude to trading, will have to repeal the existing prohibition on "short selling".

Currently in Hong Kong, stock options exist in the form of warrants. These are almost always "call" options and usually have maturities ranging from two to five years. The capitalisation of this market is in excess of HK$25bn.

Analysts believe the covered warrant market – making for nearly 40 per cent of the Hong Kong futures exchange – is most at risk from the introduction of stock options.

Says Mr Justin Kennedy, of Warburg Securities: "Retail investors . . . will like stock options because they are short-dated, highly geared and extremely volatile."

CRA ahead 9.6% against falling commodity prices

By Bruce Jacques in Sydney

CRA, the Australian mining house, has held out against the tide of falling commodity prices to report increased sales and earnings for 1992.

Strong contributions from coal and diamonds helped the company to report a 9.6 per cent rise in equity-accounted net earnings to A$411.4m (US$293.8m) from A$375.4m in 1991, on a 5.8 per cent rise in sales to A$5.24bn from A$4.95bn.

The annual dividend has been raised to 45 cents a share from 34 cents.

The result was also helped by the falling Australian currency and a substantial cut in tax and financing charges. This allowed the company to further boost its already strong balance sheet. Tax and other government charges took A$600.5m, compared with A$744.9m, and financing charges were down to A$62.2m, from A$115.0m.

The directors said gross balance sheet debt had fallen to A$1.20bn, from A$1.51bn, reducing gearing to 20.8 per cent, from 24.9 per cent. The company's position was further improved by a halving of capital expenditure to A$520.3m from A$1.09m, while cash-flow rose to A$1.1bn from A$1.0bn.

Iron ore remained the company's biggest contributor to earnings, but profits eased to A$349.1m from A$416.3m. Coal increased its profits to A$102.4m from A$67.1m and diamonds jumped to A$82.3m from A$52.0m.

The copper/gold division turned a A$24.2m loss into a A$22m profit. The contribution from aluminium more than doubled to A$31.1m from A$14.6m. The lead/zinc/silver operations reduced their losses to A$6.8m from A$32.1m.

The directors said the company had conducted an asset review resulting in a A$322.8m write-down of assets. They described 1992 as another disappointing year for mineral producers and said any improvement in the current year was highly dependent on the US, Japanese and German economies.

"The supply side of the metal equation remains one of over-supply," they said. "A major contributing factor is the Commonwealth of Independent States, which is maintaining high levels of metal exports into markets characterised by substantial inventories and low price levels."

NTT shares continue to surge

By Emiko Terazono in Tokyo

SHARES in Nippon Telegraph and Telephone, Japan's semi-privatised telecommunications company, surged in Tokyo yesterday as investors' hopes rose that the government would act to boost their price.

NTT shares, which are the country's most widely held stock, have risen 15.5 per cent in the past month. This follows calls by a ruling Liberal Democratic Party politician for the government to boost the stock market by supporting NTT's shares, plus a restructuring plan announced by the company last week.

Yesterday, its shares rose 3.7 per cent to Y670,000 on volume of 54,624 shares, the heaviest since April 1987, when the stock hit its peak of Y3.18m a share.

A further rise in NTT shares would allow the Japanese government, which still owns two-thirds of the company, to sell its holding. It would also pave the way for the listing of JR East, a regional railway company created by the break-up of the national Japan Railways.

While the finance ministry denies propping up NTT's shares, Mr Kabun Muto, head of the LDP's tax research commission, says the government should support the stock up to its flotation price of Y1.197m. NTT shares have fallen for more than five years on grim profit expectations. The NTT share plunge last year dragged down the whole market.

Mr Muto says NTT is a symbol of the Tokyo stock market, and has proposed measures including NTT's purchase of half of the 10m shares held by the government, cost-cutting through restructuring and a rise in city call rates.

A restructuring announced by the company last week adds weight to Mr Muto's proposals. NTT will cut its workforce by 30,000 over the next three years and cut its 1,300 retail outlets by one-third.

Japan bank strengths to diverge

By Emiko Terazono

ASSET quality problems among Japanese banks and their capacity to deal with bad loans will open up differences between the strongest and the weakest banks, says IBCA, the UK ratings agency.

In a report yesterday on asset quality at Japanese banks, IBCA says city banks – or commercial banks – are in a better position, while some trust banks may not be able to make provisions in the next few years.

One of the more prominent problems weighing on Japan's banks has been loans to the country's eight housing loan companies – non-financial institutions which have been hit hard by bad property-related loans.

Including the restructuring scheme for Nippon Housing Loan, finally approved by its creditors last week, interest foregone by 21 banks will total about 8 per cent of projected business profits.

IBCA says the average proportion of lost income opportunity for city banks will be about 3 per cent of business profits, 17 per cent for the long-term credit banks and 50 per cent for the trust banks.

The opening of new areas of business for banks, due to the easing of barriers between the banking and securities industries, will also flush out the strength differences in strength between Japanese banks.

● Standard and Poor's, the US credit ratings agency, downgraded debt ratings of Tokai Bank and Hokkaido Takushoku Bank, two Japanese city banks. Daiwa Bank was placed under review for a possible downward revision.

S&P downgraded Tokai's long-term debt to A minus, from A, due to a rise in problem loans. Hokkaido Takushoku's short-term debt was lowered to A-3, from A-2, due to a decline in asset quality and a rise in problem loans.

Berjaya wins Chinese contract for lottery

By Kieran Cooke in Kuala Lumpur

BERJAYA, a widely-diversified Malaysian conglomerate, has signed a contract with Guangzhou, the southern Chinese city, to set up and run a lottery.

The project, with an initial value of US$16m, will be run by Berjaya Lottery Management, a Hong Kong-based subsidiary of the Berjaya group.

Berjaya said it was also pursuing a number of other projects in the gaming and leisure industry in China. The group proposes to raise M$236m (US$98m) through a rights issue to finance its China operations.

Berjaya's project is one of the first involving a foreign company agreed by the Chinese authorities.

Overseas earnings help Boral climb to A$102.8m

By Bruce Jacques

A RISE in overseas earnings helped Boral, the Australian construction and engineering group, reverse a downward trend in its earnings.

The company raised net profits by 12.7 per cent to A$102.8m (US$73.4m) in the first half to December, from A$91.3m a year earlier, on a 10.4 per cent rise in sales to A$2.09bn, from A$1.89bn. The interim dividend is being held at 8 cents a share.

The directors have forecast higher profits for the full year, but said: "Low levels of economic activity in Australia continue to constrain demand for many of Boral's products.

"It is hoped that confidence will improve following the forthcoming federal election. Non-dwelling building is still at low levels, but government expenditure on infrastructure should produce a positive contribution in the next financial year."

● Australian Gas Light, the Sydney-based petroleum utility, has come through a period of big asset acquisitions and disposals with a strong rise in first-half earnings.

The company yesterday declared a rise in interim dividend to 7 cents a share from 6 cents, following a 32.6 per cent advance in earnings to $A42.4m for the six months to December from $A31.8m. Revenue rose 1.5 per cent to $A477.1m.

● Woodside Petroleum, the Australian offshore gas producer, has held its annual dividend at 8 cents a share, despite dipping into the red in 1992. A deferred tax provision of A$85.8m against a nil charge previously sent the company tumbling to net losses of $A22.6m, from profits of A$116.5m the year before.

Sumitomo Heavy cuts dividend and forecast

By Emiko Terazono

SUMITOMO Heavy Industries, a leading Japanese shipbuilder, is to cut its annual dividend by Y1 to Y3 per share for the year to March 1993 due to a sharp fall in profits.

Sumitomo also announced a downward revision of its profits forecast. It now expects non-consolidated pre-tax profits to fall to Y1.5bn ($12.7m), down from an earlier estimate of Y3bn. Sales are now projected to total Y295bn, down from a previous projection of Y300bn.

Air New Zealand up 8.6% at half-year

By Terry Hall in Wellington

AIR New Zealand yesterday announced an 8.6 per cent rise in net profits to NZ$60.9m (US$32.18m) for the six months to December, from NZ$56.1m a year earlier, in the face of difficult markets. Sales advanced 6.9 per cent to NZ$1.16bn from NZ$1.09bn.

Mr Bob Matthew, chairman, said the result compared with record losses by US airlines and generally lower earnings reported by Asian and European carriers. He said the profit was achieved as the global industry was experiencing little or no growth, excess aircraft capacity and aggressive price competition.

Mr Matthew expects the company to announce profits for the full year similar to last year's NZ$115.1m, given the difficult trading conditions in the industry.

Air New Zealand said total assets rose by 16.8 per cent to NZ$2.81bn. Shareholders' funds rose 9.7 per cent to NZ$1.08bn.

The directors said demand was "soft" in the company's traditional markets of the US, UK and Australia and New Zealand. The increasingly important Asian markets of Japan and Taiwan experienced slower growth. Flight revenue to Asia rose 13 per cent, but net earnings were relatively flat.

The company reported "other revenue" was up NZ$57m to NZ$256m. This was mainly due to strong growth in international cargo, while its New Zealand subsidiary, Mount Cook Airlines, performed well due to a good ski season.

Passenger sales revenue rose 2 per cent to NZ$907.85m. Interest costs fell to NZ$26m from $NZ34, and one-off redundancy costs totalled NZ$8.2m.

The interim dividend is unchanged at 4 cents a share.

INTERNATIONAL CAPITAL MARKETS

German issues advance as rate cut hopes gain ground

By Richard Waters in London and Patrick Harverson in New York

GERMAN government bonds advanced again yesterday on renewed confidence that official interest rates were about to head lower. This was despite a setback in the bond market on Tuesday, caused by the Bundesbank's decision not to lower money market rates through its regular repurchase agreement (or repo) auction.

The March bund futures contract on Liffe moved ahead from 95.47 to 95.82 late in

GOVERNMENT BONDS

the day on moderate trading of around 50,000 contracts, while the June contract advanced from 95.89 to 96.20.

Traders said that the fixed-rate repo on Tuesday at 8.49 per cent did not necessarily mean that the Bundesbank would not cut rates after its council meeting today, despite earlier disappointment in the market.

Views seemed finely balanced, with some analysts arguing that the Bundesbank would not act for another two weeks, until after the so-called Solidarity Pact to stimulate economic growth in eastern Germany had been finalised. Others said a cut at that time, just ahead of the French election, could look too much like a panic measure, prompting the authorities to move today instead.

On balance, a majority of analysts were still predicting a 50 basis-point cut in both the official Lombard and Discount rates would come today.

■ LONG-DATED UK government bonds moved ahead by as much as one-third of a point on the German rate cut hopes, leading to a further flattening of the gilt yield curve.

The spread between three-year and 15-year gilts fell to almost 150 basis points, having stood at 200 basis points a month ago.

As the market moved ahead, two £250m of tranches of new stock issued on Monday were sold out. These were the 9¾ per cent gilts due 2002 and the 8¾ per cent gilts due 2017.

In quiet trading, the June gilts contract on Liffe moved ahead from 106¼ to 106½.

■ FRENCH government bonds reacted strongly yesterday to the prospects of lower rates in Germany, pushing the yield premium on French bonds to its lowest level for a month. The spread over the yield on 10-year German bonds slipped to 75 basis points, having started the week at around 90 basis points.

The advance came despite the prospect of today's auction of FFr18bn to FFr20bn of government bonds, with the bulk expected in the 10-year area.

■ TECHNICAL factors and central bank demand helped US Treasury prices rally strongly at the long end of the maturity range yesterday morning, sending the 30-year yield to new lows.

By midday, the benchmark 30-year government bond was up $\frac{5}{16}$ at 104$\frac{3}{16}$, yielding 6.791 per cent, the lowest point since the issue was first launched in 1977. At the short end of the market, the two-year note was $\frac{1}{16}$ higher at 100$\frac{1}{32}$, to yield 3.806 per cent.

Traders said there was no single reason for the strong gains at the long end yesterday.

Some of the rise was attributed to expectations that the Federal Reserve would soon be buying large amounts of government securities to meet seasonal needs related to the end of the tax year.

Other factors at play included buying by unidentified central banks, which forced some short-covering by dealers, hopes for lower German interest rates, and municipal defeasance programmes, where municipal funds buy Treasuries and use the cash flow from them to pay off old debt obligations.

FT FIXED INTEREST INDICES

	Mar 3	Mar 2	Mar 1	Feb 26	Feb 25	Year ago	High *	Low *
Govt Secs (UK)	97.25	96.94	97.06	96.71	96.26	87.76	97.25	85.11
Fixed Interest	112.74	112.13	112.19	112.34	112.55	101.01	112.74	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation: 112.74 (3/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 2	Mar 1	Feb 26	Feb 25	Feb 24
Gilt Edged Bargains	137.7	159.4	110.6	119.6	130.1
5-Day average	130.9	128.8	126.0	131.4	135.6

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	114.5308	-0.003	7.82	8.06	8.65
BELGIUM		9.000	03/03	110.5050	+0.180	7.48	7.59	7.57
CANADA *		7.250	06/03	100.0000	+0.250	7.25	7.41	8.00
DENMARK		8.000	05/03	97.1500	+0.530	8.42	8.67	8.61
FRANCE	BTAN	8.500	03/97	103.3019	+0.274	7.51	7.77	8.02
	OAT	8.500	11/02	107.5400	+0.450	7.37	7.57	7.88
GERMANY		8.000	07/02	108.9205	+0.020	6.68	6.87	7.10
ITALY		12.000	05/02	96.3500	+0.315	13.08†	13.16	13.30
JAPAN	No 119	4.800	06/99	105.1375	+0.318	3.79	3.78	4.21
	No 145	5.500	03/02	110.8278	+0.127	3.91	3.81	4.31
NETHERLANDS		8.250	06/02	111.2200	-0.190	6.59	6.72	7.09
SPAIN		10.300	06/02	92.3000	-0.100	11.66	11.87	11.82
UK GILTS		7.250	03/98	102-26	-	6.58	6.68	6.73
		8.000	06/03	52-15	+7/32	7.83	7.86	7.97
		9.000	10/08	107-06	+12/32	8.16	8.35	8.56
US TREASURY *		6.250	02/03	102-22	+15/32	5.89	6.14	6.39
		7.125	02/23	104-04	+18/32	6.80	6.85	7.20
ECU (French Govt)		8.500	03/02	105.0000	+0.125	7.71	7.88	8.19

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

Bank of Greece makes a speedy return with DM1bn launch

By Antonia Sharpe

THE Bank of Greece returned to the international bond market for the second time in just over a week, this time with an ambitious DM1bn issue of five-year Eurobonds.

The bonds, which carry a coupon of 7¾ per cent, had a recommended re-offer price of 99.85 to yield 7.78 per cent, or 156 points over the series 104 of medium-term German government bonds. Yesterday afternoon, the bonds were being offered at the recommended level.

INTERNATIONAL BONDS

An official at the lead manager, Commerzbank, said the aim of the recommended re-offer price was to encourage the banks involved not to sell the bonds below this level.

Demand was concentrated among co-operative and state savings banks in Germany, attracted by the zero-risk weighting of the bonds, which means that they do not have to set aside capital against these assets. However, the Commerzbank official added that it would take some time to place the entire issue.

The Eurodollar sector was active as the Caisse Française de Developpement (CFD), a government agency previously known as CCCE, raised $330m through an issue of 12-year Eurobonds. Proceeds of the issue are intended for France's contribution to the International Monetary Fund.

The bonds, which have a coupon of 6¼ per cent, were priced at 99.77 to yield 30 basis points over the 10-year US Treasury, or 21 basis points over the less liquid 12-year US Treasury, according to the lead manager, UBS Phillips & Drew.

The yield spread narrowed to 28 basis points over the 10-year Treasury, reflecting broad demand for the paper.

The Czech National Bank (CNB) also tapped the Eurodollar sector for its first bond issue following the creation of the new Czech Republic. It raised $300m worth of three-year notes which will be priced on or before March 10 to yield 272 to 278 basis points over comparable US Treasuries.

An official at the lead manager, Nomura, said sales of the bonds were helped by CNB's recent roadshows in financial centres around the world, and that the pricing could well be brought forward as a result. CNB is not rated at present but hopes to achieve an investment grade rating.

The European Investment Bank (EIB) raised SFr300m through an issue of six-year Eurobonds. An official at the lead manager, Credit Suisse, said the issue established a new benchmark with its coupon of 4½ per cent. Last week, France Telecom set a coupon of 4¾ per cent on its SFr150m issue of five-year Eurobonds.

The official acknowledged that the pricing was tight, and said it would take time to place the whole issue. Yesterday afternoon, the bonds were trading at less 1.85 bid, inside fees, to yield 4.46 per cent.

The EIB also doubled the size of its C$200m issue of 7¼ per cent five-year Eurobonds, originally launched last October. The new tranche was priced at 100.78 to yield 30 basis points over comparable Canadian government bonds. The bonds were not freed to trade by late yesterday.

● Two Latin American sovereign borrowers are due to tap the international bond market in the coming weeks. Chase Investment Bank has won the mandate to arrange a five-year $75m Eurobond for Uruguay, and Colombia plans a $100m Eurobond at the beginning of April, via Bankers Trust.

● Goldman Sachs has been appointed global co-ordinator for the privatisation of Singapore Telecom, likely to take place in the second half of this year, writes Kieran Cooke from Kuala Lumpur.

The privatisation of Singapore's telecommunications utility is likely to value the company between S$10bn (US$6.1bn) and S$15bn. A 25 per cent stake in the company is likely to be offered.

A consortium of Singapore's leading banks has been appointed lead manager to handle the domestic portion of the offering. Morgan Grenfell Asia will act as co-manager with the banking consortium.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
CFD(a)	330	6.25	99.77	Apr.2005	0.35/-	Crédit Lyonnais/UBS P&D
Czech National Bank(b)	300	(b)	(b)	Apr.1996	1.125/0.875	Nomura International
YEN						
DSL Bank	10bn	4.125	101.225	Mar.1998	1.875/1.775	Sakura Finance Intl.
D-MARKS						
Bank of Greece	1bn	7.75	101.6	Apr.1998	2/1.25	Commerzbank
CANADIAN DOLLARS						
European Investment Bank(c)	200	7.25	102.405	Feb.1998	1.875/1.75	JP Morgan Securities
DANISH KRONER						
Finance for Danish Industry	300	9.375	101.7	Apr.1997	1.625/1.125	Den Danske Bank
SWISS FRANCS						
European Investment Bank	300	4.5	102.125	Apr.1999	-	Credit Suisse

Final terms and non-callable unless stated. a) Borrowers full name: Caisse Francaise de Developpement. b) Priced by 10/3/93 to yield 272-278bp over the 4.625% US Treasury due Feb.1996. c) Fungible 40 days after payment date with the outstanding C$200m launched on 19/10/92. Plus 37 days accrued interest.

Guidelines set for unit trusts and derivatives

By Tracy Corrigan

TWO NEW sets of guidelines, from the Securities and Investment Board (SIB) and the Investment Management Regulatory Organisation (IMRO), should smooth the path for unit trust managers who want to use derivative instruments.

But no decisions have yet been taken on any substantial reform of regulatory policy in this area: the SIB will deal with the main policy issues surrounding derivatives legislation in a separate consultative document due this spring.

Currently, derivative instruments can be used by unit trusts in two ways: firstly, unit trust managers can use derivatives for efficient portfolio management; secondly, under 1991 regulations, derivatives can be used in futures and options funds (Fofs), or geared futures and options funds (GFofs).

While a handful of companies have launched Fofs, no GFofs have yet been offered. The unit trust industry has been lobbying for existing legislation to be expanded to allow guaranteed funds, limited issues and performance fees. These issues will be discussed in the second consultative paper due this spring.

Mr Philip Warland, director general of the Unit Trust Association, said there was an increasing feeling that Fofs should never have been separated from other unit trusts, which can also use derivatives. Among potential changes was the extension to the EC directive on collective investments to include Fofs. The UK delegation has tabled a proposal to permit funds complying with the directive to undertake tactical asset allocation.

Last week's guidance from the SIB and IMRO focuses on the area of efficient portfolio management.

IMRO has issued guidance to clarify previous recommendations on the use of index derivatives, regarding congruence between the components of the index and the stocks in the portfolio. IMRO stops short of recommending any target for correlation, but recommends a procedure for fund managers to follow in deciding what index derivative trading is appropriate.

Bank and broker form Belgian futures venture

By Andrew Hill in Brussels

BELGIUM'S largest independent stockbroker and third-largest bank have joined forces in an attempt to gain an edge over London-based specialists on the fledgling Belgian derivatives market.

Peterbroeck, Van Campenhout (Petercam) and Kredietbank marked the formation of Kredietbank-Petercam Derivatives yesterday by launching an issue of 1.5m put and call warrants based on the Bel-20 index of largest Belgian stocks.

The warrants should be listed on the Brussels bourse next month, once new Belgian legislation classifying the instruments as securities is formally adopted.

Mr Remi Vermeiren, Kredietbank's managing director said the purpose was to develop derivatives activity and expertise in Brussels, rather than leave it to London.

Mr Vermeiren said the joint venture would not launch products to compete directly with Belfox, the small Belgian futures and options exchange of which he is also chairman.

Regarding Belfox, Mr Vermeiren said the exchange hoped to add an option on the Bel-20 index to the two company options already traded, at the end of this month, or the start of April.

The aim is to offer six to eight options, and three futures contracts, including one on the Bel-20.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on March 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	107		4.34
ALBERTA PROVINCE 9 3/8 95	600	111¼	111¾		4.78
AUSTRIA 8 1/2 00	400	113¾	114¼	+⅛	6.00
BANK OF TOKYO 8 3/8 96	200	108¾	109¼	+⅛	5.30
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	97¼	98¼		8.80
ECSC 7 3/4 94 LFr	1000	99¼	100¼		8.11
WORLD BANK 8 96 LFr	1000	100			7.99
[illegible]					

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	40	4	33
Other Fixed Interest	12	0	3
Commercial, Industrial	449	157	809
Financial & Property	280	57	458
Oil & Gas	25	11	48
Plantations	0	3	5
Mines	19	37	83
Others	53	30	36
Totals	878	299	1,475

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Am'nt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	–	70	52	Intl. Food Machinery	70	+3	–	–	–	–
–	F.P.	–	93	91	♥Merlin Intl Units	92	+1	–	–	–	–
§210	F.P.	–	280	262	Motor World	270		R6.3	2.5	3.1	16.8
–	F.P.	–	95	84	New City & Commcl. Inv.	88	+1	–	–	–	–
–	F.P.	–	28	18	Do Warrants	21	+2	–	–	–	–

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price £	+ or -
–	F.P.	–	108½p	102¼p	Airtours 6¼p (Net) Cv Pf. (ex-div)	108½p	+1¼
100p	F.P.	–	120½p	115½p	Bristol Water 8¾pc Pf.	119¾p	+½
100p	F.P.	–	110½p	105¼p	Commercial Union 8¾pc Cm. Pf.	109¼p	+½
100	F.P.	–	114¼	109¾	NFC 7¾pc Cv. Bd. 2007	111¼	+¼
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+ or -
330	Nil	31/3	62pm	52pm	Belhaven	52pm	-3
440	Nil	11/3	97pm	70pm	Bowater Units	79pm	-2
52	Nil	13/4	10pm	7pm	Howden Group	10pm	+3
450	Nil	15/3	109pm	95pm	Kingfisher Units	98pm	
15	Nil	29/3	3½pm	1½pm	ML Holdings	3½pm	
7½	Nil	5/4	8pm	6½pm	MMI	6½pm	
520	Nil	18/3	67pm	64pm	♦Mowlem-Swale	67pm	
40	Nil	11/3	42pm	32pm	PizzaExpress	37pm	-1
10	Nil	8/4	7½pm	3½pm	Stonehill Hldgs. A	3½pm	-1½
60	Nil	13/4	18½pm	14pm	Trafalgar House	18½pm	+2
140	Nil	6/4	29pm	27pm	Triplex Lloyd	29pm	+1
345	Nil	9/3	70pm	53pm	Vafex	53pm	
16	Nil	2/4	6pm	4½pm	Wills Group	5½pm	+½
330	Nil	18/5	47pm	34pm	Yorkshire Chemicals	46pm	+3

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

● First Dealings Feb 22
● Last Dealings March 5
● Last Declarations June 3
● For settlement June 14

3-month call rate indications are shown in Saturday editions.

Calls in: AMEC, Amstrad, ASDA, Auto. Security, Avesco, Brown & Jackson, Essex Furn., Ferranti, Hartstone, Midland & Scot., NMC, Ossory Est., Premier, Proteus, Spring Ram, Sycamore, Tarmac, Tomorrow Leis., Tepnel Diag. and Waterford Wedge. Put & Call: Queens Moat.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*594)	550	52	62	71	5	19	24
	600	18	33	45	23	44	48
ASDA (*65)	57	11	14	16	2½	5	6½
	67	4	9	11	6	10	12
Brit. Airways (*290)	280	20	28	33	8	21	25
	300	9½	18	25	18	32	36
SmKl Bchm A (*456)	420	46	59	68	5	14	21
	460	19	35	44	18	30	36
Boots (*511)	500	25	36	48	11	28	34
	550	5	16	26	44	58	63
B.P. (*288)	280	18	27	30	6½	15	19
	300	7½	17	23	16	25	29
British Steel (*85)	80	9	13	16	4	8	10½
	90	4	8	11½	8½	13½	15½
Bass (*584)	550	48	62	73	6½	18	25
	600	16	34	47	26	43	50
C & Wire (*741)	700	54	73	84	8	26	34
	750	23	44	57	28	50	58
Courtaulds (*598)	550	59	64	78	7	19	23
	600	23	40	51	23	43	47
Com. Union (*622)	580	50	70	76	5	14	22
	629	18	39	47	22	33	44
Fisons (*218)	200	28	36	44	7	19	24
	220	16	26	35	16	30	35
GKN (*475)	460	22	32	38	16	26	35
	500	6	18	23	45	51	60
Grand Met. (*453)	420	45	58	64	4½	13	21
	460	17	34	45	19	32	37
[illegible]							
Kingfisher (*542)	535	27	41	50	15	32	40
	584	7	20	30	46	63	69
Ladbroke (*200)	200	11	19	27	17	24	31
	220	4½	13	19	32	38	44
Land Secur (*487)	460	34	41	45	4	17	19
	500	10	17	24	20	40	42
M & S (*340)	330	18	25	34	7	16	20
	360	5½	12	20	24	34	37
Sainsbury (*523)	500	35	47	55	8	20	26
	550	9	22	31	32	48	52
Shell Trans. (*570)	550	36	52	59	4½	11	19
	600	8½	23	30	28	34	42
Storehouse (*185)	180	15	23	29	8	15	18
	200	6½	14	19	21	27	31
Trafalgar (*78)	74	8	12	16	3½	6½	8½
	83	4½	8	11½	7½	11	13
Utd. Biscuits (*378)	360	23	30	37	11	20	23
	390	7	17	23	33	37	41
Unilever (*1207)	1200	35	65	89	32	50	59
	1250	12	37	62	67	83	90

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*270)	260	31	44	56	23	32	41
	280	23	35	47	34	43	53
[illegible]							
R.T.Z. (*682)	650	44	60	74	22	33	45
	700	19	36	50	52	62	72
Scot. & New (*442)	420	35	43	49	11	24	29
	460	15	22	30	32	47	52
Tesco (*247)	240	17	23	29	12	17	20
	260	8½	15	19	24	27	31
Thames Wtr (*523)	500	37	43	47	9	21	25
	550	12	17	24	35	50	54
Vodafone (*410)	390	37	43	56	12	21	27
	420	20	29	41	26	36	43

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Abbey Nat. (*385)	360	28	34	40	5	14	19
	390	7	18	26	20	28	35
Amstrad (*27)	25	3	4½	6	1½	3	4
	30	1	3½	4	5	5½	7
Barclays (*427)	420	18	28	37	16	30	42
	460	3	14	22	50	57	67
Blue Circle (*230)	220	17	24	32	6½	18	24
	240	7½	15	23	16	30	35
British Gas (*303)	300	10	16	20	5	16	19
	330	1½	5	9½	28	37	38
Dixons (*222)	220	11	21	26	8	16	24
	240	4	14	18	21	28	36

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Eurotunnel (*487)	460	42	54	80	14	30	41
	500	16	42	60	28	50	62
[illegible]							

EURO FT-SE INDEX (*2916)

	2725	2775	2825	2875	2925	2975	3025	3075
CALLS								
Mar	209	160	114	72	40	18	7	3
Apr	–	172	132	95	65	39	24	12
Sep	275	–	205	–	156	–	–	–
Dec	–	–	260	–	195	–	–	–
PUTS								
Mar	3	4½	9	16	34	64	102	149
Apr	–	18	25	38	59	–	–	–
Sep	–	–	90	–	127	–	175	–
Dec	–	–	–	–	150	–	190	–

FT-SE INDEX (*2916)

	2750	2800	2850	2900	2950	3000	3050	3100
CALLS								
Mar	186	137	93	53	26	11	3½	1
Apr	199	156	117	83	56	36	19	–
May	212	172	137	105	80	59	42	29
Jun	227	182	153	120	95	68	–	–
Dec †	–	260	–	203	–	160	–	–
PUTS								
Mar	3	5	11	24	49	85	136	185
Apr	13	21	32	49	73	104	142	–
May	26	37	49	68	92	121	156	194
Jun	–	50	63	88	108	135	–	–
Dec †	–	110	–	145	–	190	–	–

March 3 Total Contracts 35,674
Calls 23,071 Puts 12,603
FT-SE Index Calls 7,469 Puts 7,869
Euro FT-SE Calls 3,779 Puts 244
*Underlying security price. † Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Wed Mar 3	Day's change %	Tue Mar 2	Accrued Interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.81	+0.03	129.77	2.06	1.72
2	5-15 years (22)	149.77	+0.22	149.43	1.54	3.03
3	Over 15 years (8)	159.10	+0.50	158.31	1.66	1.80
4	Irredeemables (6)	180.58	+0.83	179.10	2.26	1.48
5	All stocks (60)	145.85	+0.21	145.54	1.78	2.37
	Index-Linked					
6	Up to 5 years (2)	183.57	-0.01	183.58	0.15	1.51
7	Over 5 years (12)	172.20	+0.01	172.18	0.77	0.87
8	All stocks (14)	172.57	+0.01	172.56	0.70	0.96
9	Debs & Loans (66)	128.87	+0.61	128.09	1.89	2.24

AVERAGE GROSS REDEMPTION YIELDS

			Wed Mar 3	Tue Mar 2	Year ago (approx.)
	British Government				
1	Low	5 years	6.55	6.55	8.69
2	Coupons	15 years	7.68	7.73	9.26
3	(0%-7¾%)	20 years	7.96	8.02	9.26
4	Medium	5 years	6.83	6.85	9.47
5	Coupons	15 years	8.17	8.22	9.34
6	(8%-10¾%)	20 years	8.34	8.39	9.31
7	High	5 years	6.99	7.00	9.70
8	Coupons	15 years	8.38	8.45	9.44
9	(11%-)	20 years	8.47	8.53	9.38
10	Irredeemables (Flat Yield)		8.42	8.50	9.44
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.03	2.02	3.52
12	Inflation rate 5%	Over 5 yrs.	3.47	3.47	4.31
13	Inflation rate 10%	Up to 5 yrs.	1.18	1.17	2.86
14	Inflation rate 10%	Over 5 yrs.	3.29	3.29	4.13
15	Debs & Loans	5 years	8.49	8.60	10.91
16		15 years	9.23	9.33	10.69
17		25 years	9.48	9.54	10.52

Increasing concerns that are facing the smaller companies

A question of sink or swim on the main market

By Maggie Urry

SMALL COMPANIES and their advisers have been increasingly concerned that an "equity gap" has yawned before them, making it hard for them to raise long-term capital other than debt finance.

Small quoted companies are questioning whether they should continue with the expense of a listing. Unquoted ones are deterred from going public or raising equity privately. This is increasingly being seen as bad for the UK economy. Small companies are the big companies of the future. A number of events have fuelled this worry. The Stock Exchange's decision to close the Unlisted Securities Market, after the previous failure of the Third Market, will remove a "nursery" market for smaller companies. Companies will have to sink or swim on the main list.

The move by some brokers to stop marking markets in smaller stocks has made it even harder for investors to deal in such companies, although in response to this the Stock Exchange has introduced the Seat order-driven system of trading. Similarly, there is little analysts' research into smaller companies.

Public companies may find themselves caught in a size trap, Mr Michael Higgins of Charterhouse, the merchant bank says. "They go public on the promise of access to capital markets but unless they move quickly they get trapped." After the initial interest generated at the flotation, unless the market capitalisation moves up swiftly – usually through issues of shares for acquisitions – the interest can fade.

But if they remain private, companies can find it difficult to raise equity capital on terms they are happy to agree, and many have resorted to debt finance despite the high interest rates of recent years.

Many smaller companies, according to Mr Richard Balarkas, a leading light in the City Group for Smaller Companies (Cisco), are unaware of the role equity markets have to play. He suggests that the Stock Exchange has not done all it could to provide markets to meet the needs of smaller companies. Future attempts, he says, should be managed separately from the Stock Exchange's main list.

Recession has taken its toll, too. Smaller companies perform worse in downturns, in part because they are usually more reliant on the UK economy than large companies which are likely to have international activities. However, all is not gloom. Mr Higgins says that now people are focusing on the problem some solutions are being put forward.

Also as an end of recession institutional investors report a markedly more positive attitude to investment in small companies in the last few months. Retail investors are also reported to be buying again as they seek a better return than is available from deposit accounts.

This week the Pilot Investment Trust was launched specifically to invest in companies with a market value of under £30m.

Even so there remains a problem for the smallest companies. As one institutional investor put it: "Not many people want to look at things under £20m. You cannot get a big enough holding to make it worth bothering with." However, he added that illiquidity is not always a problem. "People are prepared to put up with illiquidity if they think they have found a good story".

Mr David Lowes, a corporate finance director of Robert Fleming, the merchant bank, has found a similar problem. "Companies on the stock market valued at under £20m have considerable difficulty in raising interest among institutional investors", he says. Fleming's corporate finance department "is cautious of encouraging anybody to go to market at that level", he adds.

If small companies cannot go public, they may try to find private equity capital. But one of the main sources, venture capitalists, also has its drawbacks.

Mr John Jackson, the chairman of a number of smaller groups and a director of the new Pilot trust says: "Private companies are nervous of venture capital because they feel that venture capitalists understandable interest in exit routes will lead them to be nudged in directions not necessarily in the best interests of their businesses."

A recent survey of private companies carried out by Baker Tilly, the accountants, found an over-dependency on short-term capital provided by clearing banks despite accusations that banks "turned their backs" in the recession. Fear of losing control was cited by these companies as another reason for avoiding venture capital. Solutions fall into two broad groups. First, there are various plans to develop new markets, such as Cisco's proposal for a separately managed market and the move to develop a "Euro-Nasdaq" along the lines of the US screen based dealing system.

Any new market must, however, be more robust than the previous ones which have disappeared when circumstances get difficult. Mr Balarkas says that any new market "must be one which does not disappear when the next recession comes along."

But there are also calls for a change in the investment culture in the UK. Mr Jackson argues that years of high interest rates in the UK have made equity providers demand high rates of return which can be hard for companies to achieve. "If you are an ordinary company with ordinary prospects it is difficult to persuade people to invest in equity", he says.

Further the institutional savings industry, spawned by tax breaks which are now largely abolished, means there is a much smaller retail market in the UK than in the US, for example. There is a different attitude to risk in the UK which can put investors off. "Any healthy economy has to have a large number of young companies, and must accept that some will not succeed," Mr Jackson says.

Mr Balarkas suggests that there is still a core of retail investors interested in buying shares in small companies – perhaps local to them.

But hopes of offsetting the tax breaks that spawned the big institutions with new tax concessions for direct share ownership are unlikely to come to fruition. Those tax breaks that have been introduced to help investment, such as the Business Expansion Scheme, have sometimes been abused by tax avoidance schemes.

Mr Lowes concludes: "The question is, is it a structural problem or is it that we are in a recession and people are not parting with their money? For good companies, there should always be a solution – it's up to the City to communicate its requirement for investment and up to companies to understand the requirements investors place on them".

USM debate shifts focus as deadline nears

By Peggy Hollinger

TOMORROW'S deadline for responses to the Stock Exchange's proposed closure of the Unlisted Securities Market has brought into focus previously ambiguous and often confused arguments about a second market devoted to smaller companies.

After years of dipping into a variety of informal markets – from over the counter to Rule 535.2 – participants are now calling for a long-term solution to the public trading of smaller companies. For most, this means the creation of one or more tiers on the official list, excluding the FT-SE 350, which would carry less onerous requirements.

Yet this argument appears not to have reached the stock exchange in detailed form. The exchange is believed to have received fewer than 50 responses so far and to be disappointed with both the quantity and quality.

Two main concerns appear to be occupying those who have responded; first, inheritance tax exemptions for companies on the USM, and second, the costs of moving to the official list.

The stock exchange is believed to feel that neither is crucial enough to halt the demise of the USM. The tax concerns, introduced last August, have been raised by just 10 USM companies. Nevertheless, the issue will almost certainly have been addressed in the stock exchange's Budget submission.

On the second concern, the costs of moving to the main market will be largely eliminated by EC directives on listing particulars and concessions from the exchange itself.

Such moves are welcome, yet critics say they fail to address the problems of companies seeking to come to the market for the first time. The issue is made more pressing with the recent stock market revival in smaller companies.

The newest lobby group, the City Group for Smaller Companies, argues that the closure of the USM before a viable alternative is hammered out shows a lack of concern for this demand by the stock exchange.

Cisco is angling for segmentation of the official list – ie setting up categories according to market capitalisation with appropriate class tests according to size.

Although the group has not yet produced an official policy statement on such a move, Richard Balarkas, chief executive, says the most common view is that companies outside the FTSE-350 should be governed by less onerous regulations.

Small company brokers, such as Albert E Sharp, tend to agree that a tier system on the existing list is the best possible route. "There is a certain credibility attached to something governed by the stock exchange," says Mr Eddie McCutcheon, head of corporate finance at Sharp's. Although the exchange would have to continue its regulatory role, Mr McCutcheon argues that it should be possible to set a "cut off below £50m where the rules are a little easier".

The stock exchange, for its part, would argue that a two or more tier system is likely to occur through evolution (although it would also say that it would be difficult to ease the requirements at the lower end while retaining a regulatory role).

After years of dipping into a variety of informal markets, players are seeking a long-term solution to the public trading of smaller companies. For most, this means creating one or more tiers on the official list

Plans for the development of a Europe-wide trading facility for the largest companies could leave a national market with little more than those very companies that Cisco wants to highlight. Thus, by default, the stock exchange would be running a smaller companies market.

One source close to the exchange described such evolution as occurring through "the creation of a premier league, rather than the setting up of a fifth division".

Such evolution could take too long for those in the small company sector. Although they are demanding action now, little is likely to come of the recommendations received so far. The best that small company pundits can hope for might be the delay of the deadline for new admissions to the USM until amendments to EC directives take effect. Even that largely symbolic gesture would be welcome. "I think I would like to see that firmly in place before they pull down the shutters on the USM," says Mr McCutcheon.

Xenova plumps for ease of US offering

By Maggie Urry

WHEN XENOVA, a UK bio-techonology company, was seeking to raise its next stage of financing last year, it became the obvious solution to tap the US market rather than seek more cash in the UK.

Mr Phillip Price, finance director, said: "There is much more understanding of bio-tech companies in the US. It is a lot easier to make an offering in the US than the UK."

The alternative would have been a private placing with UK institutional investors.

But with only one bio-tech company listed on the Stock Exchange there are not many analysts covering the industry. Xenova did not feel it could act as a pioneer, educating investors.

Xenova completed a $30.3m (£21.3m) private placement of equity at the turn of the year. Mr Price said that part of the attraction of the offering was that it was made under Regulation D of the Securities Act in the US.

This allows exemptions from the Securities and Exchange Commission if the placement is targeted at high net worth individuals. There is not a similar system in the UK.

Xenova's next aim is to go public, and this is also expected to be in the US, at least in the first instance, if only because the group now has many US shareholders.

Until the latest offer, Xenova had been financed largely by venture capital. The company was established in 1987 and, including the latest financing, has raised a total of £35.9m in equity and has not resorted to debt finance. The money has funded research into new drugs.

Xenova has yet to start clinical trials on any of its drugs and so a return for investors in terms of profits or dividends is still some way off.

However, according to Mr Price, Xenova had outgrown the venture capital market. "We were past the stage where venture capitalists could meet our needs."

The previous round of funding, in December 1990, had raised £7m, when some UK institutions came in, such as Standard Life and Norwich Union. But the US offer would have been too large for the venture capital market.

Mr Price said the group had had a good experience of dealing with venture capitalists. Their backers had made an effort to "understand what we are doing."

One problem can be that venture capital funds have fixed lives and must look for an exit when the funds have to be wound up.

This has already happened to Xenova with one early investor having to sell its shares to the others. The same problem faces another backer, although the flotation should come in time to provide a way out.

Getting to grips with the language of the City

LANGUAGE USED in the debate on smaller company development can sometimes be more confusing than enlightening. The following glossary aims to describe the key elements regularly referred to, yet seldom explained.

● **Business Angels:** In the US, wealthy private individuals are keen investors in small businesses. Attempts have been made to create similar networks in the UK, though their impact has been limited. Angels are long-term investors, they do not charge the high fees of professional venture capitalists, and they often have business experience to help out their investee companies

● **Business Expansion Scheme:** Created to allow investors to buy shares in small unquoted companies and receive tax relief. The scheme will close at the end of the year.

● **Competent Authority:** Determines listing rules with which companies must comply to join the Official List. The Financial Services Act decrees that the UK has only one authority overseeing the Official List and that is the London Stock Exchange. Part five of the FSA (still being drafted) is expected to entitle the Secretary of State to empower bodies other than the Stock Exchange to authorise listings.

● **Delta Notice Board:** Displays prices for companies traded under Rule 535.2

● **Development Capitalists:** Generally fund management buy-outs and buy-ins. Originally intended to be one step up from venture/seed capitalists.

● **Liquidity:** The depth of the market in a company's shares. The market in a smaller company's shares is often less liquid due to various factors: market capitalisation, the number of shares issued and the narrow spread of ownership.

● **Listing Rules:** Established by the Stock Exchange and comprising a somewhat complicated regime of initial and on-going standards to which listed companies must comply. The Exchange's ability to act is restricted by EC directives.

● **London Stock Exchange:** Has three different roles – (a) the competent authority for listing in the UK and regulates the so-called primary market for distribution of new issues; (b) operates and regulates a secondary market for buying and selling shares; (c) a clearing house for the settlement of trades in UK equities.

● **Marketmakers:** Obliged to display firm bid or offer prices on Seaq and deal at those prices using their own capital. The size of the spread between the best bid and offer price on Seaq can deter investing in less liquid securities. Investors should note that, when dealing in reasonable amounts of stock, the quoted price is only a basis for negotiation.

● **Nasdaq:** The North American market operated by the National Association of Securities Dealers, was once dedicated to smaller companies but many grew large. Developed out of the OTC market, and now the third largest equity market in the world.

● **Official List:** Securities that have been admitted to the market by the Stock Exchange. The vast majority of the 2,200 or so companies on the list are valued at less than £50m.

● **Over the counter market:** Once referred to trading of shares in unlisted securities. In the early 1980s a pseudo-market was operated by Harvard Securities among others. It satisfied demand from those investors seeking high growth and prepared to take risks. The UK no longer has an OTC market, but the term is often used to refer to the Nasdaq market which has an OTC tier.

● **Recognised investment exchange:** A market, such as Nasdaq or Liffe, for the buying and selling of securities. Must have a rule book that ensures fair play and can be enforced. The LSE has not been granted, but in effect enjoys, a monopoly in UK equity trading.

● **Seaq:** The Stock Exchange's main dealing system for the USM and fully listed companies. It displays bid and offer prices provided by competing marketmakers who are obliged to quote prices throughout the day. Introduced in 1986, it is increasingly seen as a less than ideal method of trading in small companies.

● **Seats:** Stock Exchange Alternative Trading System. Provides company information, customer limit orders and, in some cases, a single marketmaker providing a continuous two-way price on a single dealing screen. It is widely regarded as more in tune with smaller company trading. It is not a separate market and trades USM and Official List securities.

● **Shells:** Small companies with few assets which can provide an attractive route to the stock market via a reverse takeover by a private company.

● **Small businesses:** Privately-owned, often family-owned, where the owners and the managers are one and the same. The Companies Act defines them as companies with two of the following three characteristics – turnover up to £2.8m, a balance sheet total of up to £1.4m, and up to 50 employees.

● **Small companies:** Not to be confused with small businesses. Generally defined as companies valued at less than £150m; some leading institutional investors would pitch the threshold at £250m. Roughly speaking, 80 per cent of listed compnaies are categorised as small.

● **Third Market:** For companies that failed to meet the USM requirements. Low regulatory requirements and the questionable activities of some sponsors undermined its image. It was closed in 1989.

● **Unlisted Securities Market:** Operated by the Stock Exchange for securities which do not meet the requirements of the Official List. A primary market regime distinguished by less onerous intial and on-going listing requirements. Trading of USM securities is no different than in listed securities. The USM captured the entrepreneurial spirit of the 1980s boom period and attracted 850 companies. While most are small, some have been capitalised at more than £1bn.

● **Venture Capital:** Few venture capitalists are nowadays willing to provide seed capital for start-ups. Venture capitalists need suitable exit routes to realise their investments and thus are concerned about proposals to close the USM.

● **The 535.2 market:** Stock Exchange Rule 535.2 allows member firms to seek special dispensation to deal in the shares of companies not on the Official List or the USM. These stocks are normally dealt on a matched bargain basis, and include household names such as Weetabix.

Closure would put 'brake on enterprise'

By Charles Batchelor

VIEWED FROM the City, the threatened demise of the Unlisted Securities Market may be seen as the end of an experiment that has outlived its usefulness and profitability.

For the growing medium-sized business and the venture capital community, the market's passing will be a serious setback.

It will deprive small companies of an important method of financing growth through equity, and venture capitalists of a valuable exit from their investments. The USM played an important part in the rapid expansion of the venture capital industry during the 1980s.

Worryingly, plans to shut the USM come at a time when concerns are growing about the ability of banks to provide loan finance. Chastened by losses on their small loans books, the banks are expected to be cautious about lending when the upturn comes. Now, if ever, is the time when small businesses need equity.

Not that a stock market listing is the preferred outlet for the ambitious entrepreneur. Far more businesses opt for a trade sale – that is, a sale to another, usually larger company. In 1991, according to the European Venture Capital Association, twice as many UK companies chose a trade sale as went for a flotation.

Trade sales make sense for a number of reasons. They allow the venture capitalist to get all his money back in one go and free the entrepreneur to retire or to start up all over again. They frequently realise more money than a listing because a trade buyer can benefit from filling a gap in his market or product range. Equally important, some business owners do not relish the obligations and limitations imposed by managing a quoted company.

But even if trade sales have proved more attractive over the years, the shutting down of the USM option is causing serious concerns in the venture capital industry.

"Unless a young company can have access to the public market at an earlier stage than is now possible there will be a brake put upon enterprise," says Mr Ronald Cohen, chairman of Apax Partners and a member of Cisco, the City Group for Smaller Companies.

Companies could wait longer until they matched the criteria for a full market listing but this may mean market openings are missed or technological developments would have to be foregone.

The founders might then find themselves forced to sell as the only way of finding the money for expansion. This would further worsen Britain's already poor record for generating independent, medium-sized companies on the model of the German Mittelstand.

The lack of equity for small businesses and the poor liquidity for smaller UK listed stocks has prompted a flurry of activity aimed at creating alternatives. The options being considered are:

● A Europe-wide exchange owned and operated by the European venture capital industry. Provisionally titled the European Private Equity Exchange, this market would be self-regulating – operating as an investors' club. It would recommend valuations, provide a quotation service and complete transactions. The brainchild of Baring Venture Partners, a UK venture capital company, it would allow venture capitalists to trade their portfolio companies.

● National exchanges run on the model of the Dutch Participations Exchange launched by the Dutch venture capital industry. This exchange would open twice a year, provisionally May and November, and would allow venture capitalists to auction their shareholdings in investee companies. Both EPEE and the Dutch exchange are being studied by the European Venture Capital Association though there are concerns that EPEE may be over-ambitious.

● A relaunched USM-style market. If the London Stock Exchange can be persuaded to relaunch a smaller companies' market it needs to be in a radically different format, says Mr Robert Drummond, chairman of the British Venture Capital Association.

It must not carry a label that suggests it is a second-class market. The USM and the Third Market – closed in 1990 – both carried titles which branded them as less than first-class arenas for the trading of shares. Any new market must also have sensible rules designed to appeal to the owners of, and investors in, small growth businesses. It must not be weighed down by excessive legislation intended to protect investors from their own follies.

Finally, says Mr Drummond, the trading system should not depend on finding marketmakers but, like the US Nasdaq market, it should be a screen-based system allowing deals between principals.

If none of these proposals comes to anything, UK companies might consider a listing on Nasdaq itself. Nasdaq says it has sought links with a European exchange to provide a service for European companies but they have seen its approaches as a threat. As it is, more than 250 non-US companies already have a Nasdaq listing.

Nasdaq has 4,400 stocks quoted on its two main markets and listed 422 new entrants in 1992. It is a successful market which can offer smaller companies liquidity unparalleled on any of the European stock exchanges.

But a Nasdaq listing means frequent visits to the US to stay in touch with local investors and offends European sensibilities. Until a viable market place for smaller company stocks can be established in Europe, however, Nasdaq will remain an attractive option for growing businesses.

Growth options for 'minnows' of the quoted sector

By Richard Gourlay

FEW COMPANIES, however small, regret having a quotation.

The ability to issue paper is bound to open avenues down which private companies are unlikely to travel. However, small companies are increasingly constrained.

With stockbrokers drawing back from following, let alone making, markets in the shares of smaller companies, there is pressure for the minnows of the quoted sector to do something or risk further deterioration of the liquidity in their stocks.

A case in point is Umeco, the USM-quoted maker of aircraft refuelling equipment and distributor of seals and components to the aerospace industry.

Recession in the world economy, and in particular in the aerospace industry, partly explains a less than distinguished share price performance since it came to the USM in 1989. But the slide in its market capitalisation, from about £7m to £1.75m today, may have been exaggerated because the company is so small.

Mr George Metcalfe, Umeco chairman, says the company is capable of growing its markets and will be well positioned to do so when recovery comes. But size remains one of his principle concerns. "You have to do something," he says. "The possibility of doing nothing is not an option."

"Organic growth will not take you along the road far enough or fast enough. You have to combine organic and acquisition-led growth. It is the only way to grow sufficiently to attain critical mass," he says.

For companies such as Umeco, Mr Metcalfe says there are limited options if they want to retain a quote.

The first is to find a dormant, or semi-dormant, shell into which to reverse; this vehicle would most probably already have a full listing.

Another option is a straightforward merger. The problem here lies with potential personality clashes. If the existing management is to have a say in running the enlarged group the two companies will probably have to be of a similar size.

As a result, the enlarged company would only double or triple the size of the original company. In Umeco's case, for example, this would lead to a merged company with a market capitalisation of less than £6m.

A third option is that a private company might seek to reverse into a company such as Umeco. In an enlarged form, the two companies would progress to a full listing that would be out of reach for each on its own.

Not surprisingly, Mr Metcalfe's immediate concern, apart from the low share price, is the lack of liquidity in the company's stock; a £5,000 trade is capable of moving the share price.

But he dismisses some of the more usual complaints from very small companies. Umeco pays no more for auditing or non-executive directors now that it is quoted. Such costs are an essential part of running a company properly, quoted or unquoted.

And despite Umeco's less than illustrious stock market career, it did successfully raise £55,000 in 1991 to make a part paper acquisition of an aviation supply company.

Property charges hit BICC

By Jane Fuller

FOR THE second year running the profits of BICC, the cables and construction group, were depressed by charges of more than £40m on its property portfolio and the Channel tunnel contract.

The pre-tax figure slipped to £77m (£81m) on turnover of £3.65bn (£3.79bn).

This followed a further £35m write-down on the UK property portfolio, including the Spitalfields joint venture. Another £8m (£12m) was added to BICC's share of Channel tunnel losses.

As promised with last year's £154m rights issue, BICC is paying a final dividend of 13.25p, to make an unchanged total of 19.25p.

Most of the £64m bill was drawn from reserves.

Earnings per share, affected by the 1-for-5 issue in June, fell to 6.6p (10.3p) – or 20.2p before exceptional charges.

Mr Robin Biggam, chairman, said the £35m property write-down was against uncompleted property and Spitalfields accounted for over half of that portfolio. Last year's £30m write-down was against completed properties.

Overall profit was flat at £148m (£146m) before interest costs of £28m (£23m).

In BICC Cables, whose business is mainly in Europe, there was a 14 per cent decline to £78m – on sales of £946m (£933m) – because of weakness in the energy and telecoms markets.

The group had taken its stake in GGC, of Spain, to 67 per cent and was reducing the number of factories from five to three. The acquisition of KWO, in eastern Germany, had only recently been completed.

North America Cables was still making a small loss of £2m (£3m). Mr Biggam expressed some optimism for this year, following signs of economic recovery and the further rationalisation opportunities offered by the purchase of Reynold.

Australasia had recovered to £33m (£26m) after a long period of decline. Competition in the telecoms market had helped to move the business forward.

Balfour Beatty, the construction wing, again showed its resilience with profits of £40m (£38m) on turnover of £1.85bn (£1.9bn). Civil and power contracting had held up well and an increasing amount of work was being won overseas. House building incurred a small loss.

Net debt rose to £59m (£35m) after nearly £100m was taken on to the balance sheet from the Spanish subsidiary and after £80m of acquisition payments. This was offset by the rights issue. About £37m of cash was generated after interest, dividends, tax and capital spending.

Off balance sheet debt came down to £126m (£197m).

See Lex

Question over Eurotunnel payments

By Jane Fuller and Andrew Taylor

EUROTUNNEL HAS withdrawn its offer to make extra payments of cash and shares to Transmanche Link, the group of British and French contractors building the Channel tunnel, Mr Robin Biggam, BICC chairman, said yesterday.

This had again halted negotiations over the contractors' claims for additional payments of more than £1bn to cover the extra cost of the project.

Balfour Beatty, BICC's construction arm, is part of the TML consortium. Mr Biggam said he had received a letter from Sir Alastair Morton, Eurotunnel's chief executive, in the past few days saying that the offer was no longer on the table.

Sir Alastair declined yesterday to confirm whether or not the offer had lapsed, saying: "Any correspondence between myself and the owners of TML is private." He said TML had walked out of negotiations last December.

Eurotunnel is understood to have offered to pay £1.2bn in 1985 prices in a combination of cash and paper – shares, bonds and convertible instruments – to cover the cost of fitting out the rail tunnels. The gap between the two sides earlier this year was said to be less than £100m, also in 1985 prices.

Failure to reach agreement means BICC yesterday announced a provision of £8m to cover any losses on the contract.

Hartstone shares hit by unexpected charges

By Peggy Hollinger

SHARES IN Hartstone, the hosiery and leather goods group, continued to slide yesterday as the company issued a profits warning and revealed unexpected rationalisation costs for its European operations.

After a volatile week in which rumours about a possible bid and a profits downgrading from house brokers BZW forced the shares down from 272p, they closed yesterday 18p lower at 149p.

The market appeared to ignore Hartstone's forecast of an increased dividend, which accompanied the details of the European rationalisation.

In a statement yesterday, the group said it expected exceptional charges of £8.5m – a substantial part of which related to cost-cutting in France and Spain – in the year to March 31. Before this week, the market had factored in costs of just £2m relating to reorganisation in the UK.

Hartstone also said profits for the year would be "less satisfactory than was expected at the time of the interims", due to a sharp downturn in European hosiery markets over the last three months. Gearing was also expected to be not less than the 80 per cent reported in November, partly due to the costs and exchange rate movements.

Mr Stephen Barker, chairman, said the company had intended to announce the exceptional costs on Monday, after it had informed staff. The reorganisation will entail the loss of 855 jobs, leaving roughly 2,700 employees.

Referring to the share price decline he said: "There are lots of companies coming out with reorganisations and people respond positively because they are actively managing their business. That is all we are trying to do."

Hartstone, which is often cited as an acquisitive company, had not made a purchase in 15 months, he added.

Analysts said, however, that the decline reflected the market's dissatisfaction at being presented with a set of costs which it had not expected.

Courtaulds Textiles hits £39m and cash flow strong

By Andrew Taylor, Construction Correspondent

COURTAULDS Textiles yesterday reported a rise in pre-tax profits of almost 90 cent last year from £20.7m to £39.1m.

The company, however, warned that comparisons with 1991 figures had been distorted by the introduction of the new FRS 3 accounting standard.

This meant that provisions against discontinued businesses previously taken below the line had been deducted from the published 1991 pre-tax figure of £42.2m.

Mr Martin Taylor, chief executive, said that pre-tax profits comparisons, using the previous accounting basis, were static. Operating profits on the continuing businesses were 7 per cent lower at £42.9m on group turnover 3.5 per cent lower at £889.6m.

The share price rose 3p to 593p following the announcement of a 9.2p final dividend, making a total for the year of 13.6p (13p).

Earnings of 30.1p compared with a restated figure of 11.2p.

Mr Taylor said that net cash flow during 1992 had remained strong at £33m (£38.7m). It had allowed the group to further reduce net borrowings to £17.7m at the year end, equivalent to less than 7 per cent of shareholders' funds of £264m.

He said that it was more realistic to look at average monthly borrowings which were £72.6m in 1992, still 35 per cent lower at constant exchange rates than during 1991.

Mr Taylor added that the trading outlook remained mixed. Consumer confidence appeared to have stopped falling in the UK, which accounted for 60 per cent of Courtaulds' sales. The decline in sterling, since the currency departed the ERM last autumn, would make the company's products more competitive against imports from the Far East.

The US market was also showing tentative signs of recovery but the lace market was likely to remain difficult.

Continental Europe, which accounted for about 20 per cent of group sales, was likely to remain weak – particularly in France and Germany where retail markets were under severe pressure.

The company yesterday announced purchases worth £7m, increasing the scale of its investment in joint ventures in Spain and Thailand.

● COMMENT

The company's share price has more than doubled since textiles demerged from Courtaulds' chemical business three years ago. The management during that time has achieved substantial success in lowering gearing and overheads and raising productivity. The result has been to underpin profits in dreadful trading conditions. These appear at last to be moving in Courtaulds' favour. UK and US markets are looking better while sterling's devaluation makes British exports more attractive. The group says that prices of imported materials and components have risen relatively little because of the poor market in continental Europe. Forecast profits of between £47m and £50m for the current year put the company on a prospective p/e of more than 16, on an increased tax charge of about 25 per cent. The company may be about to reap some reward, but this appears to have been already recognised in the share price.

See People

Talks over Isosceles refinancing get under way

By Maggie Urry

Parties involved in the £1.4bn refinancing of Isosceles, parent of the Gateway food retail chain, are now starting talks over the deal which needs to be agreed in principle by the end of this month.

This follows the presentation of the company's business plan to its banks last Friday.

Talks are expected to be complex, and in the initial stages much semi-public posturing is expected.

The banks have put forward a suggestion that Gateway should adopt £800m of the total debt, which comprises bank loans of £1.05bn and mezzanine debt of £350m, with the rest passed to the parent company.

However, others involved say this idea is "almost certainly completely unrealistic". Gateway, some say, is not capable of supporting more than perhaps £400m of debt if it is also to finance capital spending from cashflow.

The business plan forecast that Gateway would record a £103m operating profit in the financial year to end April, compared with a £187.4m profit in 1991-92. Further, profits are expected to fall again before they recover.

The 1992-93 figures will also bear interest charges, including rolled up interest, of £153m, and "kitchen sink" provisions covering restructuring, property write-downs, fees for the refinancing and other items, taking the pre-tax loss to £335m.

Another suggestion for the refinancing is that a large part of the debt should be swapped into equity. However, this proposal also faces difficulties because of the position of the equity holders, and particularly Wasserstein Perella, the New York investment firm, which has 30 per cent of the equity, and through its holding of A shares which can exercise significant control over Isosceles.

Terry's Chocolate Works: part of York's manufacturing tradition

Terry's sale greeted with relief

By Chris Tighe

RELIEF WAS the dominant emotion yesterday at Terry's Chocolate Works in York, after staff heard that the company had been sold to Kraft General Foods International for £220m.

"The general reaction is, thank God it's all over," said Mr Vic Botterill, chief shop steward at the factory for the General Municipal Boilermakers Union, which represents the plant's 800 blue collar employees and up to 200 casual workers.

Mr Botterill said the sale to KGFI, part of Philip Morris, the large US tobacco and foods group, could allow the Chocolate Works, source of chocolate oranges and the All Gold and Moonlight ranges to gain some more lines.

He said the employees were glad that Terry's had not been sold to Cadbury Schweppes or Nestlé, because of their competing product ranges. There had been fears, he said, that such a deal could have resulted in product ranges being moved from Terry's York plant.

"We have the facilities here, we have the potential: it's a big world out there," said Mr Botterill.

There was some sadness, he added, that United Biscuits had sold. "Everybody slags off employers but they've put in a lot of investment."

Terry's was founded in 1767 by two citrus peel importers, who opened a shop making and selling sweets in Bootham, York. In 1823 they were joined by an apothecary, Mr Joseph Terry. Subsequent expansion led the company to its present imposing five-storey building, often glimpsed on television broadcasts of horse racing from York.

Despite its strong tourist image, York has traditionally had an important manufacturing base, founded on the twin pillars of the railways and confectionery.

Terry's, with just over 1,000 employees, is the second biggest confectioner. Nestlé employs 4,500 in the city and Cravens about 600.

CRH down 8% to I£57.6m

By Tim Coone in Dublin

CRH, the Irish construction and building materials group, which spent I£101m on acquisitions and capital expenditure in 1992, suffered an 8 per cent decline in pre-tax profits to I£57.6m (£58.8m) on turnover down 3 per cent to I£1.11bn for 1992.

Mr Tony Barry, chief executive said: "While we do look forward to improvements in some of our operations, particularly in the US, the current year seems certain to witness difficult conditions in a number of our markets. Although 1993 will be another tough year, severe pruning of our costs has our companies in good shape".

He said the labour force in the group's UK division had been cut by 700 to 3,000, and 19 mixed concrete and pre-cast concrete installations had been mothballed in Spain to weather out the recession in its European operations.

Nonetheless, operating costs rose 2 per cent to I£263m, which Mr Barry put down to rationalisation costs and the incorporation of acquisitions in the Netherlands in 1992.

He said that "a further serious decline" in the UK construction industry during 1992, together with severe price competition, was responsible for the low margin of I£4m profits on a I£303m turnover in the UK market.

Earnings per share declined by 8 per cent to 16.05p (17p).

A proposed final dividend of 4.5p for a total of 6.75 (6.45p) is recommended.

● COMMENT

CRH's earnings performance in 1993 will be particularly sensitive to construction activity in the Irish market, which in 1992 contributed 45 per cent of profits but only 19 per cent of turnover. Despite a 22 per cent promised increase in government construction spending this year, construction activity is broadly forecast to decline overall by some 4 per cent. The European outlook is equally bleak. An anticipated upturn in US activity will partially offset this, which will give volume growth, but little scope for profit margin increases. The group's strong cash position might offer scope for some bargain-hunting acquisitions, adding to profitability when the outlook improves. Earnings forecasts range from 13.5p to 16p for 1993, depending on one's outlook for the Irish market, but which suggests there may be further discounting in the price ahead. This might explain the sweetener to shareholders of further growth in dividend.

Argyll splits Safeway and Presto/Lo-Cost chains

By Neil Buckley

ARGYLL, the UK's third largest food retailing group, is splitting its Safeway and Presto/Lo-Cost chains into two separate divisions.

Mr David Webster, Argyll's deputy chairman, said the move was "a tidying up, rather than a fundamental change". But he added that the new structure would particularly benefit Presto and Lo-Cost which would be able to make more effective use of Argyll's support functions as they strove to expand and improve efficiency through new technology.

Mr Patrick Kieran, presently managing director of Safeway operations, becomes managing director of the Safeway Stores division. His deputy will be Mr Logan Taylor, now managing director of Safeway trading and marketing.

Mr Charles Lawrie, the Argyll director who has been responsible for Presto and Lo-Cost for seven years, is appointed managing director of the newly-created Presto and Lo-Cost Stores division.

Argyll acquired Lo-Cost in 1981 when it bought Oriel Foods - a food manufacturing and retailing business which had been founded by the original Argyll management team but then sold to RCA Corporation.

See People

NEWS DIGEST

Overheads reduce Stat-Plus

INCREASED overhead costs at its Leeds and Leicester sales and distribution centres were behind a 25 per cent fall at Stat-Plus, the office and legal stationery retailer, in 1992.

On sales little changed at £11.5m, the pre-tax figure fell from £4.81m to £3.61m. Earnings per share were 11.3p (15p).

An increased final dividend of 4.44p is recommended, for a total of 8p (7.125p).

BWD Securities declines to £1.74m

BWD Securities, the stockbroking and personal asset management group, reported pre-tax profits down from £2.07m to £1.74m over the year to November 30.

The dividend is raised from 3p to 3.2p, with a final of 1.9p, payable from earnings of 6.4p (7.6p) per share.

Grosvenor Develop net assets at 147.2p

Grosvenor Development Capital, an independent venture capital fund, lifted net asset value from 130p to 147.2p per share over the 13 month period to December 31.

The diluted figure was 134.9p (127.3p).

Earnings per share were 2.52p (2.83p) or 5.61p (5.24p) diluted; the single distribution goes up to 1p (0.95p).

Metal Bulletin at record £1.9m

Profits of Metal Bulletin, which has interests in trade journals, directories and books and conferences, rose from £1.7m to a record £1.9m pre-tax for 1992.

Turnover of £12.7m compared with £11.5m. Earnings per share rose to 13.8p (12.5p) and a final dividend of 5.3p makes an 8p (7.4p) total.

SR Gent ahead 47% at £986,000

SR Gent, a fashion garment supplier to Marks and Spencer, achieved a 47 per cent profits improvement to £986,000 pre-tax for the half year ended December 31.

A fall in turnover to £59.8m (£67.8m) reflected a decision to focus more closely on products with higher margin contribution. However, sales were expected to recover in the second half.

Earnings rose to 1.5p (1p) and the interim dividend is held at 0.75p.

TR High Income net assets at 110p

TR High Income Trust reported a net asset value of 110p per share as at December 31 – up from 94.7p at the end of 1991.

Earnings per share dipped some 10 per cent, from 6.21p to 5.6p over the year reflecting dividend cuts among high-yielding equities. Nevertheless, a fifth interim dividend of 1.2p is declared, maintaining the total at 6p.

Radius sharply higher at £1.25m

Continued progress through the second six months enabled Radius, the USM-quoted computer systems and maintenance company, to lift profits from £366,000 to £1.23m for the year to November 30.

Rationalisation was behind a decline in turnover to £24m (£28m).

Earnings improved to 2.9p (0.8p) and a final dividend of 1.8p holds the total at 2.7p.

Fleming Emerging asset value up 16%

Net asset value rose to 121.1p per share at Fleming Emerging Markets Investment Trust in the half year to December 31.

This represented a 16 per cent advance on the 104.5p at June 30.

Net revenue was £53,000 (£492,000) for earnings per share of 0.09p (0.82p).

Airtours queries benefits of Owners/Cook tie-up

By Richard Gourlay

AIRTOURS, the holiday tour operator, yesterday questioned the benefits that rival Owners Abroad says it would achieve from a proposed tie-up with Thomas Cook, the travel agency and financial services group.

Mr David Crossland, Airtours chairman, said there was a great difference between identifying costs savings from his proposed takeover of Owners Abroad, and projecting increased sales.

Airtours also said that according to latest statistics from Stats MR, the market research organisation, Owners Abroad's winter business was down at the end of January. This meant that Owners Abroad would be making higher winter losses from leased aircraft capacity that is surplus to needs.

Mr Howard Klein, Owners Abroad chairman, said estimates of benefits from the tie-up with Thomas Cook and its sister LTU, the German holiday company, had been approved by its auditors and advisers. These would be at least £9m in 1994 and at least £11m the following year.

He said Airtours still had not specified how it would arrive at savings from a merged Airtours and Owners Abroad that Mr Crossland says would be "significantly" above the benefits from the Thomas Cook tie-up.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Acorn Inv Tst ....int	0.8	Mar 5	nil	-	1.5
BICC ....fin	13.25†	July 1	13.25	19.25	19.25
Brent Chemicals ......fin	5.8	May 21	5.8	7.4	7.34
BWD Securities § ......fin	1.9	Apr 16	1.7	3.2	3
Courtaulds Text ....fin	9.2	May 17	8.8	13.6	13
Cowie (T) ....fin	4.25	May 20	3.375	6.25	4.875
CRH ....fin	4.5♣	May 5	4.3	6.75	6.45
Gent (SR) ....int	0.75	-	0.75	-	2
Grosvenor Dev ....fin	1	Apr 23	0.95	1	0.95
GRE ....fin	4.6	July 5	2.6	7	7
Linx Printing ....int	0.35	Apr 19	-	-	-
Metal Bulletin ....fin	5.3†	Apr 23	5	8	7.4
Radius § ....fin	1.8	Apr 17	1.8	2.7	2.7
Savage § ....int	0.25	May 7	nil	-	0.25
Stat-Plus ....fin	4.44	-	4	8	7.125
TR High Income ......fin	1.2	Apr 30	0.8	6	6
Trans World § ....fin	0.8	Apr 8	-	0.8	-

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence.

Cowie buoyed by fleet leasing

By Jane Fuller

STRONG GROWTH in fleet leasing helped T Cowie, the motor group, to increase pre-tax profit by 34 per cent to £24.3m last year.

The rise, from £18.2m, was ahead of expectations and the share price gained 14p to 211p.

Mr Gordon Hodgson, chief executive, said the group aimed to double its dealership network and to increase its leasing fleet from 60,000 to 100,000 vehicles - probably in that order.

Cowie retains a 9.9 per cent stake in Henlys following the failure of its £32m hostile bid in September. The holding has been written down to 60p a share.

Group turnover of £605.9m (£564.9m) was pushed ahead by Royscot, the contract hire business acquired from Royal Bank of Scotland late in 1991.

Mr Neil Pykett, managing director of Cowie Interleasing, said economies of scale and correct gauging of residual values lay behind the divisional profit rise to £16.6m (£11m) on turnover of £245m (£208.8m).

The motor dealing division suffered a squeeze on margins that reduced profits to £5.48m (£6.6m) on flat sales of £316.3m.

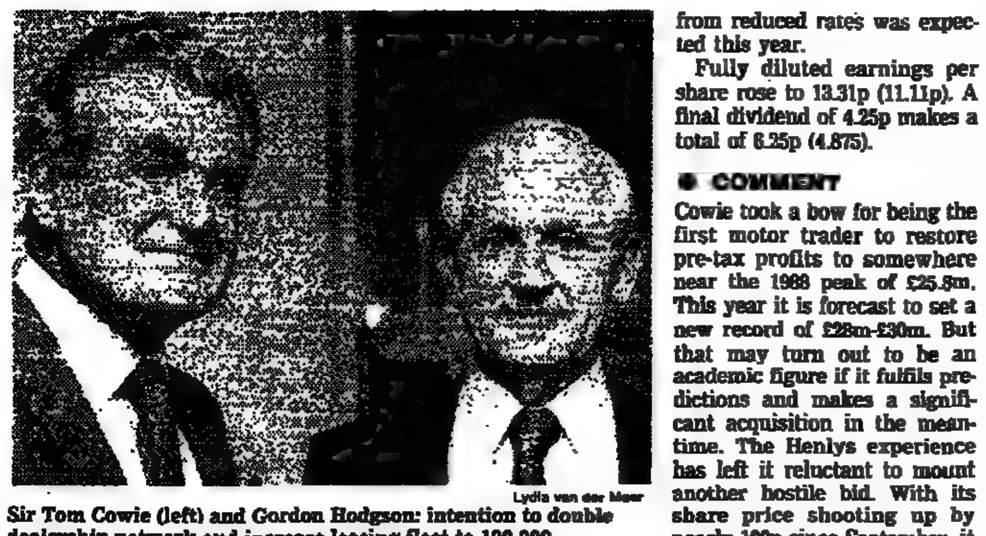
Sir Tom Cowie, chairman, said Black Wednesday had induced a state of "hysteria" in the used car market. In October and November, monthly price falls amounted to about £300 per vehicle. The good news was that things had improved since December because of the underlying shortage of quality used cars.

Profits rose to £1.8m (£1.23m) in the London Grey-Green bus and coach operation. Bus and coach distribution increased profits to £1.75m (£835,000).

Net debt fell from £355m to £309m, gearing of 306 per cent. Mr Hodgson said this should seen against an "income stream of £460m going into 1993".

Interest costs were flat at £36.2m, but a £3m to £4m gain from reduced rates was expected this year.

Fully diluted earnings per share rose to 13.31p (11.11p). A final dividend of 4.25p makes a total of 6.25p (4.875).



Lydia van der Meer

Sir Tom Cowie (left) and Gordon Hodgson: intention to double dealership network and increase leasing fleet to 100,000

● COMMENT

Cowie took a bow for being the first motor trader to restore pre-tax profits to somewhere near the 1988 peak of £25.8m. This year it is forecast to set a new record of £28m-£30m. But that may turn out to be an academic figure if it fulfils predictions and makes a significant acquisition in the meantime. The Henlys experience has left it reluctant to mount another hostile bid. With its share price shooting up by nearly 100p since September, it will be keen to use its paper either directly or indirectly. It may, for instance, go for the motor business of a conglomerate or a bank and make use of a vendor share placing. A prospective p/e of little more than 12 puts it at a discount to the market. The debt risk associated with Cowie is much diminished and it remains worth holding for its prospects both of further profits recovery and of growth by acquisition.

Panel tightens rule on 'creeping control'

By Maggie Urry

THE TAKEOVER Panel has tightened its rule on "creeping control". With effect from yesterday morning, when the announcement was made, the owner of between 30 and 50 per cent of the voting rights of a company can only buy a further 1 per cent in any 12 month period.

Previously the limit was 2 per cent.

The change to Rule 9.1(b) of the Takeover Code has been under discussion for many months and the Panel said yesterday that the arguments on each side had been finely balanced.

It concluded that "the interests of shareholders would be best served" by cutting the purchasing freedom to 1 per cent.

The Panel's concern was that the rule could be abused by a predator which could gradually increase its stake and gain control without making a full bid.

However, it also felt that some flexibility was still needed in Rule 9. Complaints about the rule are rare, the Panel said.

The rule was introduced in 1974 as part of the mandatory offer rule, under which a bid is required if a stake of 30 per cent or more is acquired. Originally the limit on purchases was 1 per cent but it was increased to 2 per cent in 1976.

The Panel said it could not recall a case where a predator had acquired control of a company using this rule.

The closest that a company has come to be acquired this way was Molins, the engineering company. Leucadia National Corporation, a US group, failed in a takeover bid for Molins in May 1990, but retained a 45.14 per cent stake afterwards.

It subsequently bought shares taking its stake to 48.45 per cent. However, an attempt in October 1991 to use its votes to gain control of the board failed and Leucadia then sold its shares.

Slimdown pays off with £11m at Brent Chemicals

By Andrew Bolger

BRENT Chemicals International, the speciality chemicals group, more than doubled pre-tax profits to £11.5m in 1992.

Sales rose from £100m to £119.8m.

The company said the profits figure was 37 per cent up on the previous year, after allowing for heavy rationalisation and redundancy costs incurred in 1991.

Lord Lane of Horsell, chairman, said that while the results benefited from the inclusion of recent acquisitions and a £15.6m rights issue in 1991, they were firmly supported by organic growth of 5 per cent in sales and 12 per cent in profits.

Brent's packaging and graphic arts group, focused mainly on food packaging, lifted sales by 9 per cent and profits by 20 per cent organically. The division's actual trading profits rose from £2.42m to £4.91m.

Trading profits from the industrial, aerospace and electronics sector rose from £3.4m to £7.5m. This division was affected by recession in the European Community, but a strong performance in North America and south-east Asia increased profits by 6 per cent organically.

Lord Lane said: "During 1992 we improved our gross margins due to manufacturing efficiencies and cost savings, and we continued to exercise strict overhead controls. The reduction in staff levels and the streamlining of our management structure initiated in 1991 have proved their worth."

Brent said it continued to develop Hebro Chemie, the German metal finishing business it acquired at the end of 1991. Sales expanded by 8 per cent, but profits remained static.

Earnings jumped to 10p (2.9p). A maintained final dividend of 5.8p gives a total of 7.4p (7.34p).

Savage shows 19% advance and expands in shelving

By Andrew Adonis

SAVAGE GROUP, the USM-quoted hardware supplier, reported profits up 19 per cent in the six months to December 31. Turnover on continuing operations dipped 4.2 per cent to £32.3m.

Pre-tax profits amounted to £1.04m, up from £874,000 on continuing operations last time. Last year's result included losses of £198,000 on discontinued businesses. The outcome was struck after reduced interest payments of £538,000 (£746,000).

Earnings per share were 0.7p, against losses of 0.3p; an interim dividend of 0.25p (nil) is declared.

The group also announced the acquisition of Strongbeam, a supplier of fixed shelving, for £900,000. Strongbeam had turnover of £1.5m last year.

A placing of 1.9m shares at 46p, equal to 5 per cent of the share capital, raised £864,000 net. Proceeds will be used to help pay for Strongbeam and to fund investment in shelving manufacture.

Mr Tony Philipson, chief executive, said UK business remained "very difficult, with no tangible signs of recovery", but all overseas businesses increased sales and made profits, after several years of losses.

Pacific sales help Linx edge ahead

By Richard Gourlay

A DRAMATIC sales increase in the Pacific region helped Linx Printing Technologies, the maker of continuous ink jet printers, edge ahead in its first six months as a quoted company.

The group suffered a significant loss of gross margin, mainly due to launch costs of the 6000 series printer and its delayed introduction in the US.

Pre-tax profits increased to £763,000 on sales of £5.75m in the six months to December 31.

Earnings per share fell from 3.88p to 3.7p, reflecting the increased number of shares in issue following the flotation.

A first interim dividend of 0.35p is declared.

The 6000 printer is expected to produce a 15 per cent increase in gross margin over the 5000 series and should account for 50 per cent of sales in the second half.

The group finished the period with net cash, but has not excluded the possibility of gearing up.

Sales in Europe, including the UK, rose 4 per cent to £3.97m, with strong growth in France and Italy and slower progress in Germany and the UK.

North American sales increased 9 per cent to £612,000, but the rest of the world jumped to £1.17m (£541,000) with Japan particularly strong.

Sales to Germany and Japan now each account for about 20 per cent of the total and the US accounts for about 10 per cent, without the benefit of any significant sales of the 6000 series printer.

Mr Derek Harris, chairman, said there would also be scope for increasing margin with the production of ink from Linx own plant and the introduction of environment friendly ink

● COMMENT

Linx provided few deviations from expectations. Falls in margin are explainable and should be more than reversed with the introduction the 6000 series printer. On the plus side, fears of an over-dependence on Germany should subside as rapid growth in the Pacific region reduces dependence on Europe. Earnings should grow 20 per cent a year for the next two years and there is scope for more growth in market share, particularly as US General Electric's Videojet is now at a relative currency disadvantage. That said, Linx is probably fully valued. Pre-tax profits should be £2.2m for the year, giving 10.2p of earnings and a prospective multiple of about 18 that is at the correct premium to the market.

Australian investment group lifts stake in Towles to 51.4%

By Catherine Milton

LONDON CITY Equities, the investment group based in Sydney, Australia, has increased its stake in Towles, the UK textiles group from 45 to 51.4 per cent.

LCE has no seat on the board and the majority stake gives it only 13.9 per cent of the votes.

The group said it had repeatedly sought boardroom representation but this had been denied by shareholders of the Midlands-based group.

LCE said Towles directors owned 18.8 per cent of the equity and had 41 per cent of the votes. Towles said the directors had a holding approaching half of the voting ordinary shares.

At the 1990 annual meeting, a resolution to elect Mr Peter Murray, LCE chairman, to the board was defeated.

LCE, whose market capitalisation is £2m, has been buying mainly non-voting shares in Towles, which has a market capitalisation of less than £5m and made a pre-tax profit of £1,000 in 1991-92.

The Australian group began acquiring shares in 1987 because it thought Towles was asset rich and cash poor. The recent purchases comprised 168,081 A ordinary shares, which carry no votes, at 90p each.

Apart from pinning his hopes on a proposed European Community directive on non-voting shares - Mr Murray said it would guarantee one-share-one-vote – he does not have any firm strategy for securing influence.

Broadgate net asset value at 119.82p

Broadgate Investment Trust reported net asset value per share of 119.82p in its first set of results.

The period is from the trust's inception on April 14 1992 to January 31 1993.

Gross revenue was £200,986 and after administrative expenses of £62,334 and interest on equities index unsecured loan stock of £55,888 revenue before tax came to £82,764.

Earnings per share were 1.24p.

Correction

Allied Irish Banks

Allied Irish Banks' profits in the Republic of Ireland, reported in Wednesday's FT, should have read I£76.7m (£78.2m) and not I£72.7m. On an annualised basis this gives a 15.7 per cent downturn compared to 1991-92, not 20 per cent.

Knitwear merger at Grampian

By James Buxton, Scottish Correspondent

GRAMPIAN Holdings, the Scottish mini-conglomerate, is merging Pitlochry Knitwear, its knitwear retail subsidiary, with the privately-owned Edinburgh Woollen Mill.

Under the deal Grampian will own 25 per cent of EWM, a retailing company with turnover of £58m and pre-tax profits of £3m in the year to January 31.

Pitlochry achieved sales of £23m and pre-tax profit of £600,000 in the 12 months to end-December.

The enlarged EWM will have 200 retail units in the UK, of which 89 are in Scotland, and should produce combined turnover of more than £90m in the current financial year.

Both Grampian and EWM's main shareholders have agreed that they intend ultimately to float the company.

Mr Bill Hughes, Grampian chairman, said that the two businesses would combine EWM's strong high street presence with Pitlochry's larger out-of-town units.

EWM has demerged its manufacturing operations from its retail side, while Pitlochry closed most of its manufacturing and has transferred the remainder to EWM under a separate deal.

Trans World back in the black

TRANS WORLD Communications, the Salford based independent radio station operator, swung from losses of £1.83m to pre-tax profit of £1.13m for the year to end-December.

The figure for the previous year, restated from a loss of £1.15m to meet FRS 3 accounting rules, included a £680,000 charge for closing a subsidiary.

The improved performance was mainly due to a rise in sales which pushed the USM-quoted group's turnover up from £11.4m to £12.1m.

Dividends are being resumed for the first time in three years via a final of 0.8p out of earnings per share of 3.1p (losses 7p).

Investment in promotion and marketing helped the company push up prices.

Airtime sales rose by 3 per cent from £9.6m to £9.9m despite a drop in the number of advertisers.

The group should benefit further when the advertising market picks up.

There are no borrowings. All four radio stations showed an improvement.

Yorkshire Foods set for market via £15m placing

By Andrew Bolger

YORKSHIRE FOODS is coming to the stock market through a £15m placing which will value the Bradford-based food processing company at £37.5m.

A total of 13.64m shares will be placed at 110p. On the basis of fully-taxed pro-forma earnings of 7.2p, that puts the shares on an historic multiple of 15.3p.

Net assets per share were 62.4p as at December 31. Dealings are expected to begin on March 9.

The company was founded by Mr Mike Firth, chairman and chief executive, and has expanded by buying from Berisford International businesses which process and package dried fruit and nuts.

Yorkshire Foods made an operating profit of £3.87m in 1992 on sales of £63.2m. The company said that trading in the current year had started well.

The placing, sponsored by Panmure Gordon, will raise £12m of new money. After the payment of expenses and redemption of certain classes of preference shares, it will provide £7.3m additional working capital for the group.

The company's aim is to build a large food manufacturing group, and it is likely to make further purchases soon.

Altus maintains stance on Costain purchase

By William Dawkins in Paris

ALTUS FINANCE, the French bank, yesterday said it wanted to continue with its $245m (£172.5m) purchase of the Australian mining interests of Costain, the UK construction group, in the hope of a successful appeal against a court injunction blocking the deal.

Costain agreed to sell the mine last year to Altus, a subsidiary of Crédit Lyonnais, the state-owned bank.

However, the transaction hit trouble when Peabody, the US coal subsidiary of Hanson, obtained an injunction against the sale on grounds that Costain had allegedly agreed to sell its Australian mines to Peabody for $200m, much less than Altus is prepared to pay.

An Altus director said the French group had a binding contract for the purchase, with agreements from both sets of shareholders and the Australian authorities.

Costain has appealed against the injunction, granted by a US court last month.

Altus is waiting for the result of Costain's appeal, likely by the end of March, before deciding on the next step.

"We are awaiting the result and do not wish to interfere in a matter in which we have no say. This is between Costain and the judge. It is a complex issue," the company said.

Drayton Asia Trust restates net asset value

FOLLOWING A request for clarification from the Panel on Takeovers and Mergers, Drayton Asia Trust, the target of a bid from EFM Dragon, has accepted that the use of third-party estimates – the Financial Times – for its net asset value was inappropriate.

On February 23 Drayton said its undiluted net asset value of 128.19p for February 22 was calculated from the (FT-derived) diluted net asset value of 123.5p, adjusted to reflect the non-exercise of the Drayton Asia warrants.

Drayton has subsequently revised its estimate of the diluted net asset value for February 22 to 123.19p, giving an undiluted estimate of 127.82p after adjustment.

Further, it said that if the unconditional offer date had been February 22 the share offer would have been 6.7 Dragon shares for each Drayton. On this basis Drayton's NAV would have been 121.27p, or 94.9 per cent of its undiluted value at February 22.

"Based on the middle market price of the EFM Dragon ordinary shares of 17.75p on February 22 1993," Drayton added, "the market value of the share offer was 118.93p, representing 93 per cent of Drayton Asia's undiluted NAV."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	18.79	18.79
0100	23.12	21.67	[illegible]
0130	[illegible]	23.81	25.36
0200	23.12	23.81	25.32
0230	23.12	21.60	[illegible]
0300	23.12	21.60	23.01
0330	25.87	18.73	18.73
0400	25.28	18.65	18.65
0430	23.54	[illegible]	18.07
0500	19.07	18.07	18.07
0530	[illegible]	18.21	18.21
0600	18.90	[illegible]	18.21
0630	19.11	18.60	18.60
0700	24.24	21.81	23.27
0730	25.22	22.38	23.92
0800	26.23	22.50	23.96
0830	25.80	22.80	24.38
0900	26.15	24.44	26.96
0930	28.54	25.64	27.30
1000	28.58	25.64	27.19
1030	28.46	25.64	27.19
1100	28.10	24.44	25.95
1130	25.30	24.44	25.95
1200	28.70	24.44	25.95
1230	[illegible]	24.44	25.95
1300	28.12	23.28	24.75
1330	28.30	23.28	24.76
1400	28.25	19.22	[illegible]
1430	24.25	18.73	18.73
1500	25.52	18.73	18.73
1530	25.52	[illegible]	18.70
1600	25.54	18.79	18.78
1630	28.39	22.88	24.35
1700	29.60	24.62	26.16
1730	30.08	29.82	31.39
1800	30.75	29.74	31.60
1830	31.01	29.66	31.27
1900	30.58	29.15	30.73
1930	29.95	28.47	[illegible]
2000	29.37	26.27	27.78
2030	28.25	24.14	25.80
2100	25.51	22.38	23.77
2130	24.24	22.04	23.45
2200	23.83	21.81	23.22
2230	22.72	21.81	23.23
2300	22.72	18.47	18.47
2330	18.81	17.59	17.59
2400	18.08	17.57	17.57

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left. eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements [illegible] in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-[illegible] between [illegible] and [illegible] Monday to Friday.

NGC Settlements Limited

Russians leave US without grain debt deal

By Laurie Morse in Chicago

MR ALEKSANDR Shokhin, Russia's first deputy prime minister, left Washington yesterday without an agreement on ending Russia's grain credit problems, leaving US-Russian grain trade stalled.

After Mr Shokhin and Mr Mike Espy, the US agriculture secretary, ended their talks on Tuesday Mr Espy said he remained dedicated to finding a solution to the impasse, but he had no specific timetable.

Grain traders remain convinced that the US will offer Russia a grain export programme of some kind – most likely food aid – when Presidents Clinton and Yeltsin meet for a summit April 4. However, Mr Espy said he did not view that date as a deadline and added that there were some outstanding problems.

Disappointed traders pushed Chicago grain and soyabean futures prices lower in early trading. Mr Warren King, grain analyst with Cargill Investors Services, said he was preparing to reduce his forecast of wheat exports to Russia. "The [wheat] marketing year is over in June," he said. "We're running out of time."

Russia and other countries of the former Soviet Union owe more than $416m in overdue loans for US grain purchases. Russia made what was viewed as a token interest payment of $15m, the first since late November, before Mr Shokhin and Mr Espy held their final meeting. Under the US guaranteed loan programme, Russia must repay all of its arrears before fresh grain loans can be granted. To lower the bill, Mr Shokhin has requested that Russia's grain indebtedness to the US be separated from other former Soviet republics.

In a speech in Chicago on Tuesday evening, Mr Yegor Gaidar, chief economic adviser to President Yeltsin, explained that Russia was balancing its obligations to the US against its indebtedness to other Paris Club nations. "We fulfilled our payments to the US until November, neglecting other members of the Paris Club, which affected our relations with Europe and Japan," he said. "We're looking for a way out without hurting our relationship with other countries of the world."

Russia has made strategic payments to at least one other wheat supplier to keep world grain shipments moving. The Australian Wheat Board said it had received payments on grain shipped to Russia two years ago and had contracted to supply an undisclosed further amount of Australian grain. "A small cash payment has been received from the Russians and shipments of Australian wheat will commence against that payment," said Wheat Board chairman Mr Clinton Condon.

Australia is considering engaging in bartering grain for aluminium shipments from Russia, to compensate for Russia's lack of hard currency.

Energy boost planned for Australia's Kalgoorlie mines

By Kenneth Gooding, Mining Correspondent, in Perth

IN ABOUT two years time a 2,000 km (1,250 mile) pipeline costing between A$300m and A$500m (£147m-£245m) could be carrying natural gas from Dampier in the north of Western Australia to the Kalgoorlie gold fields area, providing cheap energy to boost natural resources development there, according to Mr Colin Barnett, the state's new minister for resources development and energy.

Western Mining Corporation, the biggest energy user in the area, would almost certainly be involved, either as a member of a consortium that would build and operate the pipeline or as a customer. Mr Barnett said yesterday that the pipeline would bring inexpensive energy to an area where supplies were not consistent and many companies used diesel fuel to provide their own power.

The pipeline project was of a type that should be sponsored by the new Coalition state government, which was committed to building the state economy on its natural resources.

He claimed that the change of government had sparked new optimism among resource companies. Since the election two weeks ago Western Mining had announced that it would proceed with the A$450m Mt Keith nickel project in the state and Woodside Petroleum had given the go-ahead for the A$1.1bn Cossack Wanea offshore oil and gas venture.

He said the government would change the state law to permit seven-days-a-week working in the Kambalada area, near Kalgoorlie. Western Mining was ready to proceed with an A$105m expansion and upgrading scheme at its Kambalada nickel operations once that change had been made. The trade unions were "reasonably satisfied" with this proposed change in the law, which was at the centre of a long running argument between Western Mining and the previous Labor government. "We will not let minority interests hold the rest of the community to ransom," Mr Barnett said.

Western Mining also previously said the cost of rail transport was holding back development at Kambalada. Mr Barnett said the state-owned railways would become more competitive and that the cost of transport would not be permitted to prevent projects going forward. His government was committed to reducing the cost of energy by 40 per cent in real terms by 2000 by splitting up the state energy monopoly and encouraging private sector investment. He admitted that he expected some opposition to the pipeline project, but the route would avoid national parks, environmentally sensitive areas and areas know to be of special significance to aboriginal people.

He hoped permitting procedures would be completed by the middle of 1994 and then the pipeline would take 18 to 24 months to build.

Local analysts suggested that one project likely to benefit from the pipeline was the Bulong nickel-cobalt venture between Western Mining and Resolute Resources and its associate Energy Oil & Gas, which would include Western building a sulphuric acid plant at its Kalgoorlie nickel smelter to process the ore.

Mr Barnett said Western Australia was relatively unexplored for minerals, while the potential for offshore oil and gas discoveries was huge. His government wanted to see state revenue from natural resource projects quickly doubled. Direct royalties alone last year brought in A$375m.

However, the state's small population of 1.7m could not provide the necessary capital and this would come mainly from foreign investors, particularly those in Japan, the UK and the US. Towards this end the new government would send high powered delegations around the would promoting Western Australia as "a safe and reliable place to invest".

Trinidad fertiliser sector prepares to resume growth

Depressed prices have tempered the industry's buoyancy, writes Canute James

DEPRESSED PRICES over the past nine months, caused mainly by increased production in the Ukraine, have tempered the buoyancy of Trinidad and Tobago's fertiliser industry. This has exacerbated a slowdown in growth of the industry over the past three years following rapid expansion in nitrogenous fertiliser output between 1980 and 1989.

The Caribbean republic remains one of the world's leading producers of ammonia and urea – the leader since the break-up of the Soviet Union, claim local officials. Senior representatives of the energy and natural resources ministry say they are not greatly concerned at the sate of market as the country has the capacity to take advantage of the rebound that they believe is inevitable.

This, however, will depend on a quick and significant increase in production capacity. Combined output of ammonia and urea last year was 2.4m tonnes, while installed capacity is 2.5m tonnes.

Combined ammonia and urea production ('000 tonnes)

1992	2,400
1991	2,400
1990	2,300
1988	2,200
1986	1,800
1984	1,400
1982	800
1981	470

Source, Trinidad and Tobago energy ministry and Trinidad and Tobago central bank

The feedstock for the fertiliser plants is locally-produced natural gas, and officials say any significant expansion in ammonia and urea output must await an increase in gas recovery. This is expected from a major gas field off Trinidad's south-east coast in which three state-owned companies and Enron Oil and Gas of Texas are investing US$250m over the next five years to recover 150m cubic feet of gas a day.

"The development of Trinidad and Tobago's nitrogenous fertiliser industry has been assisted significantly by the advantage of local supplies of energy," explains Mr Rupert Mends, the permanent secretary in the energy and natural resources ministry. "We are also favoured by relatively easy and quick access to our major markets in the United States and Europe."

Ammonia and urea production in 1991 was 4.6 per cent more than in 1990, indicating a significant slow-down after a five-fold expansion between 1981 and 1989. The Trinidad and Tobago central bank, in a recent report, suggests that such rates of growth may not be repeated in the short term.

The bank says that in the first half of last year production of nitrogenous fertilisers totalled 1.23m tonnes, marginally higher than the corresponding period of 1991. But it reports that international ammonia markets have been depressed, and that this has coincided with the end of the fertiliser application season in North America and Europe, which has resulted in reduced demand in these areas.

"In addition, the easy availability of the product from the Ukraine contributed to oversupply on global markets and consequently to lower prices," the bank says. It reports that Trinidad and Tobago's ammonia averaged US$77 a tonne (fob Caribbean) in the second quarter of last year, against $97 a tonne in the second quarter of 1991. Urea prices fell $21 from $155 per tonne in 1991.

Trinidad and Tobago's nitrogenous fertiliser industry was born 30 years ago when W.R. Grace of New York established Fedchem, an ammonia plant with a rated capacity of 250,000 tonnes a year. Thirteen years later the US company and the Trinidad and Tobago government created a joint venture, Tringen, to run a 400,000-tonnes-a-year ammonia plant. The facility was expanded in 1988 and now has a rated capacity of 920,000 tonnes a year.

Following a corporate decision to divest itself of its holdings in fertilisers, W.R. Grace has sold its operations in Trinidad and Tobago to Norsk Hydro of Norway. A third ammonia plant, Fertrin, a joint venture between Amoco Oil of the US and the Trinidad and Tobago government, began production in 1981. The sole urea producer, Trinidad and Tobago Urea Company, is wholly owned by the government, and has a capacity of 600,000 tonnes per year.

The government is reducing its involvement in the industry and is seeking buyers for its 51 per cent holding in Fertrin and for the urea company.

Brazilians cannot afford to cut aluminium losses

It would cost more to close production lines than to keep them running, writes Bill Hinchberger

ANY HOPES that Brazil will this year relieve the pressure of oversupply on the languishing aluminium market by cutting its output seem destined to be disappointed. Despite a combination of low international prices and what local industry considers high domestic energy costs, the country registered record production of aluminium in 1992, and output is expected to remain at a similar level this year.

The Brazilian Aluminum Association (ABAL) estimates last year's production at 1,195,203 tonnes, up 4.8 per cent on 1991's, and exports at 985,700 tonnes, up 18.8 per cent.

The production increase was primarily due to a 16 per cent surge, to about 335,000 tonnes, by Albras, the joint venture between Companhia Vale do Rio Doce and a consortium of Japanese companies. Companhia Aluminio do Brasil boosted production by 13,000 tonnes, as it utilised its full capacity of 217,000 tonnes.

The Albras increase was a consequence of a scheme launched in 1988, designed to double output, says Mr Francisco Pitella, commercial director for Aluvale, the CVRD holding company for its aluminium interests. In 1988, the plant was producing about 160,000 tonnes. Under the plan, capacity would have jumped to 340,000 tonnes in 1991. In March 1991, however, a damaged transmission line caused a 12-hour blackout, cutting production by about 40,000 tonnes, and pushing back the timetable for reaching higher production levels to 1992.

There should be a slight drop in the country's aluminium output this year as Alcan's closure in November of a 27,000-tonnes-a-year production line in Aratu, Bahia state, makes its mark on the 1993 figures. The plant produces aluminium to supply its own domestic operations. But with the severe recession and dampened demand in Brazil, the subsidiary found itself exporting. "The quantity we were producing was in excess of our needs, and at $1,400 a tonne cash cost, we were realising at least a $150-a-tonne loss," explains Mr Joao Valliante, manager of metal planning.

The output cut can be viewed as part of the company's overall effort to reduce costs in Brazil. The company now employs less than 5,000 workers, compared with 8,000 in 1989, says Mr Valliante. Efficiency has improved, as capacity was reduced by just 27,000 tonnes a year over the same period. In 1991 Alcan produced 113,600 tonnes.

Other producers refuse to cut output because the cost of closing production lines is greater than that of keeping them running, according to Mr Ivo Barone, ABAL's president. "The price level still allows companies to break even on a cash-cost basis, depending on their energy costs," says Mr Barone.

Many energy contracts are "take-or-pay" agreements, long-term accords that guarantee aluminium producers a minimum supply for which they must pay even if they do not take it up. Some bauxite supply contracts run on a "take-and-pay" basis, meaning that producers must withdraw their share of raw material whether or not they intend to use it. "It comes down to what is more costly, to continue producing or to close," observes Mr Barone.

'The price level still allows companies to break even on a cash-cost basis.'

For that reason, many firms have begun working with a cash-cost philosophy, which ignores depreciation, says the ABAL president. Reducing fixed expenditures, producers try to get their cash expenses down to $1,200 a tonne, allowing them to limp through the present crisis.

High energy costs are the main obstacle to the Brazilian industry's ability to compete, maintains Mr Barone. He claims that energy accounts for $450 in the price of a tonne of Brazilian aluminium, compared with an international average of $300 a tonne.

Albras and Alumar enjoy discounts and price ceilings based on international prices for the commodity, part of an incentive package for building plants in the underdeveloped north of the country. Other companies, including CBA, Alcan and Valesul, generate varying amounts of their own energy.

Aluminium producers in south-central Brazil, the country's most industrialised region, spend $23 per megawatt hour for their electricity, compared to $9 in Canada and $20 in the US, says Mr Carlos Eduardo Mariano da Silva, Valesul's industrial director.

The cost of energy is a touchy subject in Brazil. Congress has just passed a Bill to give regional utility companies a free hand to set electricity prices without meddling by central authorities. Large industrial users generally pay about $45 per megawatt hour, compared with an average generating cost of $70 per megawatt hour.

Valesul, a joint venture involving CVRD and Royal Dutch/Shell's Brazilian metal subsidiary Billiton, hopes to reduce energy costs by both increasing efficiency and boosting its own generating capacity. Currently Valesul generates about 20 per cent of its own electricity.

This year it is implementing a pilot project designed to improve the efficiency of its production process. The company will invest $2.5m this year, and if the pilot project is successful, it is ready to spend $37m by 1995 to adapt its entire plant, says Mr Mariano da Silva.

In terms of generating capacity, Valesul's goal is to increase its own output to 50 per cent, adds Mr Mariano da Silva. To reach that level, he estimates that the company would have to invest $55m. "But we have to find an investment opportunity," he says, adding that such an investment is not yet officially in the cards.

Low, and falling, domestic consumption means that Brazilian producers are forced to place greater amounts of their output on the international market, despite low prices. Domestic per capita aluminium consumption dropped from 3.1 kg in 1986 to an estimated 2.1 kg in 1992, says CVRD's Mr Pitella, adding that consumption in rich countries is about 20 kg a person a year.

Overall Brazilian consumption was 316,000 tonnes in 1992, an 8 per cent drop from 338,000 tonnes in 1991.

"Last year domestic production fell to the level of the early 1980s, but if it weren't for greater use of aluminium cans, we might have dropped back to levels from the late 1970s," observes Mr Adjarma Azevedo, executive director for the local subsidiary of Alcoa.

Domestic demand seems to be rebounding slightly. In December, it was 5 per cent above expectations, in January 10 per cent more than expected, estimates Mr Valiante of Alcan.

"The Brazilian market is apparently improving, but I am afraid to talk about a boom," he says, echoing the words of other analysts. "I don't know how long it will last."

WORLD COMMODITIES PRICES

MARKET REPORT

London COCOA headed south, weighed down by a New York market in retreat on what traders described as liquidation related to the lack of progress at the Geneva pact negotiations. "People had taken long positions as protection before the talks began. But it's becoming increasingly clear nothing is going to happen so they're getting out," one dealer said. On the London bullion market PLATINUM, after fixing at $342.75 a troy ounce – 25 cents up from the morning – largely recovered the ground lost following Allied-Signal's announcement of a new palladium-based auto catalyst. PALLADIUM was marked down 25 cents at the afternoon fix to $105 a troy ounce. BASE METAL price movements were less extreme on the LME, largely consolidating after the losses sustained over the last week. However, consumer demand remains thin, and once technical corrections have run their course, many metals remain vulnerable unless there is a sea-change in sentiment.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.62-6.68	+.085
Brent Blend (dated)	$18.93-8.95	+0.10
Brent Blend (Apr)	$18.92-8.94	+0.09
W.T.I. (1 pm est)	$20.47-0.50	+0.10

Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$194-195	+1
Gas Oil	$178-179	+1
Heavy Fuel Oil	$75-77	
Naphtha	$176-178	+2

Petroleum Argus Estimates

Other		+ or -
Gold (per troy oz)♣	$329.35	+0.4
Silver (per troy oz)♣	358c	-1
Platinum (per troy oz)	$342.75	-0.9
Palladium (per troy oz)	$105.00	-0.6
Copper (US Producer)	99.50c	
Lead (US Producer)	34.625c	
Tin (Kuala Lumpur market)	14.62r	-0.2
Tin (New York)	262c	+0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)	133.59	+6.39*
Sheep (live weight)†♠	122.13	+7.89*
Pigs (live weight)†	90.24	+6.47*
London daily sugar (raw)	$250.0	-4.7
London daily sugar (white)	$274.0	-4.2
Tate and Lyle export price	£282.5	-6
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£165.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	65.50p	-1.5
Rubber (May)♥	66.00p	-1.5
Rubber (KL RSS No 1 Feb)	225m	-1
Coconut oil (Philippines)§	$432.5y	+2.5
Palm Oil (Malaysian)§	$427.5z	
Copra (Philippines)§	$275.0	
Soyabeans (US)	£183.5u	-1
Cotton "A" index	61.35c	-0.3
Wooltops (64s Super)	397p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May. u-Mar/Apr. v-Aug. w-Feb/Mar. z-Mar. ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. * change from a week ago, provisional prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
May	226.00	226.00	225.00	
Aug	230.00	230.00	229.20	228.80
Oct	211.00	211.00	210.20	
White	**Close**	**Previous**	**High/Low**	
May	275.00	272.00	274.90	270.00
Aug	276.50	273.00	276.20	271.50
Oct	258.90	255.70	258.00	253.50

Turnover: Raw 37 (33) lots of 50 tonnes. White 1223 (1518) Paris- White (FFr per tonne): May 1553.01 Aug 1585.48

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Apr	18.95	18.87	18.96	18.85
May	18.98	18.91	19.02	18.89
Jun	19.02	18.97	19.05	18.99
Jul	19.04	19.01	19.08	19.03
Aug	19.08	19.02	19.11	19.08
Sep	19.10	-	19.10	
IPE Index	18.88	18.96		

Turnover 15852 (24456)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Mar	175.25	174.00	175.50	174.25
Apr	174.75	173.50	174.75	173.75
May	174.00	173.00	174.25	173.50
Jun	173.50	173.00	174.00	173.50
Jul	174.75	174.50	175.00	174.75
Aug	176.75	176.50	177.00	176.75
Sep	178.75	178.50	178.75	
Oct	181.25	181.00	181.25	

Turnover 12210 (24735) lots of 100 tonnes

WOOL

Over-supply and over-stocking apply through much of the wool market. In Australia there is the official stockpile of nearly 4 million bales, practically a full season's output, which overhangs the market even though disposals are currently at a standstill. Resistance to present low prices, in real terms the lowest on record, is causing Australian growers to withdraw their wool and this involves a privately held and financed backlog which again overhangs the market. Processors in major consumer countries in Europe and the Far East are often heavily stocked also.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	717	734	734	713
May	727	746	745	723
Jul	740	759	756	736
Sep	754	768	768	745
Dec	770	783	784	762
Mar	790	803	803	785
May	805	817	816	810
Dec	856	-	865	860

Turnover 5374 (2935) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for Mar 3 746.70 (747.31) 10 day average for Mar 2 742.93 (742.40)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
Mar	975	938	973	937
May	939	927	943	930
Jul	905	896	909	898
Sep	910	904	915	906
Nov	920	910	924	920
Jan	934	924	935	932

Turnover:2671 (2653) lots of 5 tonnes. ICO indicator prices (US cents per pound) for Mar 2: Comp. daily 56.38 (56.52) 15 day average 57.33 (57.26)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Mar	50.0	-	50.0	
Apr	40.0	42.0	41.0	39.8
May	43.0	43.6	42.8	42.0
Apr	96.5	98.0	97.0	96.0

Turnover 179 (17) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Jun	143.60	-	143.60
Aug	145.10	-	145.10

Turnover 20 (0) lots of 20 tonnes

FREIGHT – London FOX ($10/Index point)

	Close	Previous	High/Low	
Mar	1391	1375	1386	1380
Apr	1380	1380	1391	1386
Jul	1195	1195	1195	
Oct	1350	1350	1356	1350
BFI	1371	1369		

Turnover 88 (208)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Mar	146.75	147.60	147.80	146.75
May	147.60	148.35	148.50	147.60
Jun	148.75	149.50	149.70	148.75
Sep	110.00	-	110.00	
Nov	112.00	112.25	112.00	
Jan	114.80	-	115.00	114.80
Mar	117.65	118.10	117.65	
Barley	**Close**	**Previous**	**High/Low**	
Mar	142.50	143.00	143.50	142.50
Sep	107.55	-	108.00	107.55
Nov	110.50	-	110.80	110.50

Turnover: Wheat 235 (236), Barley 77 (25). Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Mar	113.5	111.5	111.5	111.5
Apr	113.0	110.6	112.0	111.5
May	112.5	-	112.0	111.5
Jun	110.0	107.0	107.0	107.0
Jul	105.0	-	105.0	104.0
Aug	104.5	107.0	104.0	104.0

Turnover 75 (53) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 22,192 lots
Cash	1163.5-4.5	1167-8	1163.5/1161.5	1161-1.5		
3 months	1185.5-6.0	1179-80	1186/1180	1182.5-3.5	1184-5	167,462 lots
Copper, Grade A (£ per tonne)						Total daily turnover 21,468 lots
Cash	1474-5	1471.5-2.5	1468/1468	1469-70		
3 months	1497-8	1493.5-4.0	1497/1485	1489.5-90	1491.5-2.0	187,482 lots
Lead (£ per tonne)						Total daily turnover 1,817 lots
Cash	282.5-3.5	283-4	282.75/282.50	282.5-2.75		
3 months	292-4	292.5-3.0	292.5/291	292.5-2.75	293-4	18,978 lots
Nickel ($ per tonne)						Total daily turnover 7,179 lots
Cash	5890-900	5875-85		5900-10		
3 months	5950-60	5940-5	5960/5950	5960-5	5940-50	43,488 lots
Tin ($ per tonne)						Total daily turnover 2,120 lots
Cash	5640-50	5650-5	5640/5640	5635-40		
3 months	5705-10	5710-5	5720/5680	5700-5	5730-40	8,004 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 12,569 lots
Cash	1006-7	988-90	1008/1008	1006-7		
3 months	1022.5-3.0	1005-7	1025/1018	1022.5-3.0	1019-20	69,481 lots

LME Closing £/$ rate: SPOT: 1.4500 | 3 months: 1.4400 | 6 months: 1.4315 | 9 months: 1.4255

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	329.20-329.50	
Opening	329.80-330.20	
Morning fix	329.55	226.339
Afternoon fix	329.55	226.651
Day's high	329.70-330.00	
Day's low	328.80-329.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.66	6 months	2.46
2 months	2.60	12 months	2.48
3 months	2.54		

Silver fix	p/troy oz	US cts equiv
Spot	246.15	358.40
3 months	249.90	361.25
6 months	253.30	364.25
12 months	259.45	370.30

GOLD COINS

	$ price	£ equivalent
Krugerrand	330.00-333.00	227.00-229.00
Maple leaf	339.35-341.55	-
New Sovereign	78.50-81.50	54.00-58.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	53	82	3	8
1150	32	46	6	14
1175	17	32	16	22
Copper (Grade A)	**Calls**		**Puts**	
2100	63	84	11	27
2150	32	64	30	46
2200	13	41	61	73
Coffee	**May**	**Jul**	**May**	**Jul**
900	64	57	26	53
950	37	38	49	84
1000	21	25	83	121
Cocoa	**May**	**Jul**	**May**	**Jul**
725	28	51	26	36
750	18	38	41	48
775	11	30	58	65
Brent Crude	**Apr**	**May**	**Apr**	**May**
1850	48	-	8	25
1900	16	45	27	45
1950	4	26	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	329.0	329.8	0	0
Apr	329.7	330.5	330.8	328.5
May	330.3	331.1	0	0
Jun	331.0	331.8	332.0	330.8
Aug	332.3	333.1	333.5	332.6
Oct	333.7	334.5	334.3	334.3
Dec	335.1	335.9	336.0	335.0
Feb	336.6	337.3	337.5	337.5
Apr	338.1	338.8	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Apr	341.6	341.5	343.3	340.5
Jul	340.2	339.5	341.5	339.5
Oct	338.7	338.0	340.5	338.0
Jan	336.2	335.5	337.5	336.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Mar	355.6	356.3	357.5	356.0
Apr	356.7	357.4	0	0
May	357.8	358.7	360.0	357.5
Jul	360.2	361.1	362.5	360.0
Sep	362.6	363.5	363.0	363.0
Dec	366.1	367.0	368.5	366.0
Jan	366.5	367.4	0	0
Mar	369.7	370.6	372.5	371.5
May	372.3	373.2	372.5	372.5
Jul	374.8	375.7	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	94.60	93.95	94.75	94.20
Apr	95.15	94.40	95.15	94.85
May	95.50	94.80	95.55	95.00
Jun	95.95	95.20	95.70	95.55
Jul	96.30	95.60	96.30	95.90
Aug	96.70	96.00	0	0
Sep	97.05	96.35	97.00	96.80

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Apr	20.48	20.47	20.56	20.46
May	20.58	20.54	20.63	20.53
Jun	20.62	20.59	20.68	20.61
Jul	20.65	20.62	20.70	20.65
Aug	20.67	20.63	20.73	20.65
Sep	20.68	20.65	20.73	20.68
Oct	20.71	20.67	20.70	20.67
Nov	20.71	20.67	20.73	20.73
Dec	20.69	20.66	20.72	20.68
Jan	20.67	20.64	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	58.16	57.85	58.20	57.75
May	57.15	56.92	57.20	56.85
Jun	56.34	56.20	56.60	56.15
Jul	56.41	56.33	56.55	56.25
Aug	56.96	56.93	57.00	56.95
Sep	57.96	58.01	58.00	57.90
Oct	58.91	59.01	59.00	59.00
Nov	59.71	59.86	59.90	59.80
Dec	60.51	60.71	60.85	60.75
Jan	60.96	61.16	61.16	60.95

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	888	908	900	900
May	922	944	944	908
Jul	945	967	965	932
Sep	970	993	991	966
Dec	1002	1022	1016	992
Mar	1032	1052	1024	1024
May	1052	1072	0	0
Jul	1075	1095	1084	1084
Sep	1103	1123	0	0
Dec	1128	1148	1124	1124

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	60.50	60.00	63.00	60.50
May	65.25	64.40	65.65	64.65
Jul	67.10	67.35	67.50	66.60
Sep	69.00	69.25	69.15	68.50
Dec	71.75	72.05	71.90	71.45
Mar	74.35	74.75	0	0
May	76.35	77.15	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	10.18	10.12	10.22	9.93
Jul	10.31	10.19	10.32	10.05
Oct	9.53	9.42	9.54	9.35
Mar	9.15	9.01	9.18	8.95
May	9.13	9.00	9.00	8.98
Jul	9.13	9.00	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	62.80	62.45	63.10	62.20
May	62.90	62.18	63.15	61.95
Jul	63.88	63.15	64.09	62.90
Oct	63.00	62.75	63.10	62.75
Dec	61.93	61.55	61.98	61.55
Mar	62.73	62.30	0	0
May	63.30	62.87	0	0
Jul	63.83	63.40	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	71.40	69.80	71.40	70.00
May	74.35	73.40	74.45	73.35
Jul	77.40	76.50	77.50	76.50
Sep	80.55	79.20	80.60	79.40
Nov	82.80	81.05	82.80	82.25
Jan	85.20	83.65	84.40	83.60
Mar	86.70	86.15	0	0
May	88.00	86.60	0	0
Jul	88.00	86.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Mar 3	Mar 2	mnth ago	yr ago
1764.6	1767.3	1744.0	1625.4

DOW JONES (Base: Dec. 31 1974 = 100)

	Mar 2	Mar 1	mnth ago	yr ago
Spot	124.30	124.26	121.61	118.34
Futures	125.20	124.78	122.88	122.24

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	580/2	581/2	581/6	578/2
May	583/0	585/2	585/0	581/2
Jul	587/6	590/2	590/0	586/0
Aug	589/6	592/2	591/6	588/4
Sep	590/4	593/0	592/4	589/4
Nov	596/0	598/2	597/4	594/4
Jan	603/4	605/6	604/4	601/6
Mar	610/0	612/0	610/0	610/0
Jul	618/0	619/4	618/0	617/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	21.25	21.11	21.38	21.04
May	21.49	21.41	21.65	21.31
Jul	21.70	21.68	21.88	21.53
Aug	21.75	21.66	21.90	21.63
Sep	21.75	21.72	21.90	21.66
Oct	21.78	21.73	21.90	21.70
Dec	21.89	21.79	22.00	21.68
Jan	21.88	21.86	21.85	21.92
Mar	22.05	21.90	0	0
May	22.35	0	0	0

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Mar	178.6	173.9	179.0	178.3
May	179.9	181.6	180.6	179.6
Jul	181.7	183.6	182.5	181.5
Aug	182.6	184.6	183.5	182.5
Sep	183.8	185.7	184.5	183.8
Oct	184.8	187.0	185.5	184.9
Dec	187.5	189.4	188.0	187.5
Jan	188.1	189.1	0	0
Mar	190.0	189.8	190.0	190.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	213/4	213/4	213/4	212/4
May	221/4	222/4	222/0	221/0
Jul	228/6	229/6	229/2	228/2
Sep	235/0	235/6	235/2	234/4
Dec	242/2	243/2	242/6	241/6
Mar	249/0	250/0	249/2	248/4
May	252/4	254/0	0	0
Dec	252/0	253/0	252/0	251/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	376/0	376/4	376/0	370/0
May	339/0	340/0	339/0	335/0
Jul	315/0	317/0	316/2	314/0
Sep	319/0	321/2	320/0	316/4
Dec	327/0	328/2	328/4	326/4
Mar	331/0	332/2	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Apr	80.475	80.475	80.850	80.350
Jun	74.725	74.925	75.150	74.675
Aug	71.475	71.775	71.900	71.450
Oct	72.525	72.675	72.975	72.500
Dec	73.350	73.500	73.575	73.300
Feb	72.600	72.800	73.000	72.600
Apr	73.700	73.850	73.950	73.700

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Apr	45.925	46.125	46.250	45.750
Jun	51.325	51.375	51.625	51.075
Jul	49.450	49.675	49.875	49.350
Aug	46.550	46.775	46.800	46.400
Oct	41.725	41.825	41.825	41.450
Dec	43.200	43.260	43.500	43.200
Feb	43.375	43.430	43.550	43.375
Apr	42.450	42.400	42.450	42.450

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Mar	41.175	40.450	42.050	40.100
May	42.225	41.675	43.250	41.300
Jul	42.450	41.975	42.800	41.800
Aug	41.050	40.450	42.000	40.200
Feb	47.750	46.775	47.750	46.750
Mar	46.825	46.000	46.825	46.750

LONDON STOCK EXCHANGE

New peak as overseas buyers appear

By Terry Byland, UK Stock Market Editor

A SUDDEN shift towards optimism on interest rates both in Germany and the UK drove the London stock market confidently to new all-time highs. Shares opened strongly in response to the overnight 45-point rise in the Dow Industrial Average, and drew further encouragement later from an optimistic review of the domestic economy in the UK Treasury's latest monthly report.

Attention is now focused on this morning's meeting at the Bundesbank. The appearance of a few Continental European institutional buyers in London yesterday morning caused UK strategists to think again about prospects for a cut in German interest rates ahead of the French elections.

At best, the market was ahead by nearly 40 points on the FT-SE 100 scale. Gains were trimmed at mid-session, when the Bundesbank said it would not hold a press conference after today's policy meeting, but UK shares rose again when Wall Street, after some hesitation, turned higher in the new session.

At the close, the FT-SE 100 Index was 36.3 points up at 2,918.6. The previous intra-day peak of 2,900.1 was broken early but then lost again, in spite of another strong opening in stock index futures.

Trading volume increased strongly to a Seaq total of 710.3m shares from the 573.3m recorded on Tuesday. The presence of the big institutions was confirmed by the focus on the FT-SE 100 list; trade in non-Footsie shares dipped to some 59 per cent of the Seaq total from the average 62 per cent of recent sessions.

However, the FT-SE Mid 250 Index was also at a new peak of 3,077.9, a gain of 27.9, and traders said that private investors appeared to have regained their confidence. The previous peak of 3,051.4 on the FT-SE Mid 250 was reached on February 8.

The re-adjustment in views on German interest rate prospects was by no means absolute; City strategists rated the chances of a significant cut in German rates as "no more than 50-50". But some analysts believed that the UK market had turned too strongly negative on this point in the previous session. Further gains in sterling encouraged hopes that overseas funds may now be ready to buy UK equities.

On the domestic front, expectations of a cut in UK base rates around Budget day benefited from some encouraging hints on the economy. Disclosure by the Halifax Building Society, Britain's biggest mortgage lender, that sales of new homes has risen by a fifth so far this year was later followed by the Treasury's encouraging monetary report. This indicated that shop sales are rising, house prices falling less sharply and overall activity improving.

The market has also been helped by the satisfactory tone of trading results from major companies over the past fortnight.

The banking sector responded well yesterday to the report from Midland, now part of Hongkong Banking, but a question mark still hangs over today's trading and dividend statement from Barclays.

Traders admitted to having been caught out by the sudden rebound in the stock market. Marketmakers had begun to move towards balanced trading books ahead of the Budget and were short of stock. The final minutes of trading brought some hints that a rights issue was planned for this morning.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ASDA Group	6,200	84¼	+1	Courtaulds	1,400	568	+9	Lonrho	1,500	69½	−1	Shell Transport	7,000	578	+8
Abbey National	7,300	365		Dalgety	797	480	+2	Lucas	948	143	+2	Siebe	1,300	491	+7
Albert Fisher	4,300	66	+2	De La Rue	242	680	−1	MB Caradon	639	321	+5	Slough Ests	1,200	188	+2
Allied-Lyons	2,800	593	−10	Dixons	1,900	223	+3	MEPC	597	375	+4	Smith (W.H.) A	991	433	+12
Amstrad	1,500	27	+½	Eastern Elect.	1,300	468	+6	Manweb	319	527	+12	Smith & Nephew	791	158	+1½
Anglian Water	704	519	+4	East Midland Elect.	1,500	453	+7	Marks & Spencer	3,400	340	+6	SmKl Beecham	1,600	459	+3½
Argos	787	281	+5	Eng China Clays	885	457	+7	Midlands Elect.	446	493	+4	SmKl Beecham Uts	1,300	400	+5
Argyll Group	8,500	370	+1	Enterprise Oil	652	476	+7	Morrison (Wm.)	128	160	−1	Smiths Inds.	416	355	+4
Arjo Wiggins	3,300	178	+6	Eurotunnel Units	194	488	−22	NFC	685	270	+3	Southern Elect.	448	471	+4
Ass. Brit. Foods	519	508	+2	FKI	2,200	128	+4	NatWest Bank	5,300	443	+8	South Wales Elect.	186	641	+4
Ass. Brit. Ports	152	380	+2	Fisons	3,400	219	−3	National Power	2,600	317	−1	South West Water	442	527	+1
BAA	1,200	777	+4	Foreign & Col. I.T.	689	225	+3	Next	2,600	146½	+2	South West. Elect.	57	489	+6
BAT Inds.	2,600	849	+5	Forte	2,000	199	+2	North West Water	3,500	505	+8	Southern Water	582	506	+5
BET	1,300	94		Gen. Accident	1,800	600	+15	Northern Elect.	306	517	+9	Standard Chartd	782	682	+13
BICC	10,000	366	+21	General Elect.	8,800	307	+11	Northern Foods	1,700	280	+6	Storehouse	4,800	198	+2
BOC	626	746	+2	Glaxo	4,300	678	+17	Norweb	536	513	+12	Sun Alliance	5,800	333	+7
BP	1,300	289	+6½	Glynwed Int.	649	282	+8	Pearson	660	369	+7	T&N	973	190	
BPB Inds.	69	215		Granada	2,700	386	−5	P & O	1,600	575	+7	TI Group	3,100	284	−1
BT	5,600	434½	+11½	Grand Met.	6,200	455	+1	Pilkington	3,500	111	+1	TSB	3,400	171	
BTR	5,400	583	+12	GUS A	617	1495	+17	PowerGen	1,100	321	+1	Tarmac	2,600	114	+2
Bank of Scotland	1,800	133	−1	GRE	10,000	189	+1	Prudential	3,200	334	+6	Tate & Lyle	1,000	433	+4
Barclays	7,500	433	+1	GKN	2,800	478	+5	RMC	276	817	+8	Taylor Woodrow	897	88	
Bass	1,600	595	+1	Guinness	6,000	441	−6	RTZ	2,600	682	+11	Tesco	5,500	247	+4
Berisford Int.	100	126	+1	HSBC (75p shs)	4,400	624	+23	Racal	987	190	−2	Thames Water	3,000	524	
Blue Circle	1,000	280		Hammerson 'A'	3,600	[illegible]	[illegible]	Rank Org.	1,400	695	+19	Thorn EMI	557	871	+11
Booker	335	434	+6	Hanson	7,200	232½		Reckitt & Colman	660	621	+2	Tomkins	4,000	269	+7
Boots	1,600	511	+7	Hanson Warrants	5,800	29	+½	Redland	981	481	−6	Trafalgar House	4,500	78½	+1
Bowater	1,200	516	+5	Harrisons Crosfield	1,000	173	+4	Reed Intl.	492	673	+12	Unigate	503	371	+6
Brit. Aerospace	4,100	272½	+13½	Hillsdown	1,800	169		Rentokil	755	234	+4	Unilever	2,900	1208	−15
British Airways	4,900	291	+2	IMI	1,600	271	+8	Reuters	453	1404	+6	United Biscuits	4,100	379	−13
British Gas	7,700	304	+3½	ICI	3,400	1233	+43	Rolls Royce	2,000	132	−1	Utd. Newspapers	267	532	+4
British Land	850	299	+1	Inchcape	1,000	613	+13	Rothmans	987	837	+17	Vodafone	5,300	411	+12
British Steel	8,000	85½	−½	Johnson Matthey	456	468	+6	Ryl Bk Scotland	2,600	239		Warburg (SG)	1,000	829	+8
Bunzl	509	129		Kingfisher	706	543	−8	Royal Insurance	6,000	300	+8	Wellcome	1,000	891	+11
Burmah Castrol	982	720	+1	Kwik Save	103	894	+1	Saatchi	33	190		Welsh Water	244	572	+4
Burton	2,800	78		Ladbroke	3,700	200	+7	Sainsbury	3,700	524	−1	Wessex Water	249	615	+9
Cable & Wire.	4,100	743	+6	Land Securities	1,600	488	+4	Scottish & New.	1,400	442	+1	Whitbread 'A'	655	464	−3
Cadbury Schweppes	6,200	493	+9	Laporte	387	660	−3	Scot. Hydro-Elect.	1,500	249		Williams Hldgs.	2,100	360	
Calor Group	8	236		Legal & General	293	491	+6	Scottish Power	2,000	232½	+3½	Willis Corroon	417	187	+2
Carlton Comms.	957	775	+6	Lloyds Abbey	1,700	441	+11	Sears	2,900	100		Wimpey	249	139	+2
Coats Viyella	1,600	265	+6	Lloyds Bank	1,700	540	+9	Sedgwick	1,400	162	+1	Wolseley	563	658	+4
Comm. Union	1,800	623	+15	LASMO	1,800	185	+3	Seeboard	233	504	+6	Yorkshire Elect.	473	520	+9
Cookson	2,000	211	+2	London Elect.	619	486	+8	Severn Trent Water	1,100	487	+4	Yorkshire Water	111	551	+3

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Feb 15	Mar 1	Mar 15
Option Declarations:		
Feb 25	Mar 11	Mar 25
Last Dealings:		
Feb 26	Mar 12	Mar 26
Account Day:		
Mar 8	Mar 22	Apr 5

*New time dealings may take place from 8.30am two business days earlier.

Biscuit's deal falls flat

UNITED Biscuits, which confirmed the sale of its Terry's chocolate making subsidiary to Kraft General Foods International, failed to follow the strong trend of the rest of the market because of disappointment that it had not been able to secure a higher price.

The company said it was selling Terry's to the Philip Morris subsidiary for £220m, although a number of market watchers had predicted a figure around the £250m mark.

The stock fell heavily, giving up 14 to 379p in trade of 4.1m. As it has outperformed the market by around 10 per cent over the past two weeks in anticipation of the sale, some of the day's selling was put down to simple profit-taking.

Mr Carl Short at Nomura commented: "It is a sensible deal given United Biscuits' desire to invest in other snacks and biscuit companies." He was, however, among those who advised investors to take profits following the recent strength of the shares.

Dividend pleases

The market gave approval to BICC's preliminary numbers which, although slightly below expectations on the pre-tax profits figure, gave encouragement to investors due to a maintained dividend.

"The numbers were clean, there were no funnies and there was evidence of a recovery in the Australian business; all very good news for investors," was the view of one leading electricals specialist. He did, however, qualify the good news by pointing out that the widely accepted slowdown in the continental European economies would have a substantial effect on the cables business in Europe.

BICC shares galloped ahead from the outset, outpacing the electricals index and the wider market to close a further 21 up at 366p; turnover of 9.5m was the highest single day's business since last October.

BAe in demand

British Aerospace (BAe) featured strongly. S.G. Warburg was said to have cleared an overhanging line of stock but then sought to replenish its trading books. The shares were 13½ ahead at 272½p by the close.

Further buying came from agency broker Henderson Crosthwaite, a long-time bull of the stock. Mr Brian Newman at the house predicted a sharp turnround at the Rover cars subsidiary as well as further defence contracts. He now believes the break-up value of the group to be in the region of 600p. Trading volume in BAe reached 4.1m shares.

Barclays nerves

There was a tumble late in the session in Barclays shares as the market grew increasingly nervous about the possibility of a cut in the dividend when the bank reveals preliminary figures this morning.

The stock raced up to 436p during early trading, with dealers confident that the recent scare stories about the final dividend had been overplayed and that the bank's figures would not be as bad as some specialists have forecast. The most bearish observers have pencilled in losses of up to £150m, with bad debts predicted to come out at around the £2bn mark.

However, a flurry of late selling orders drove Barclays down to a day's low point of 428p before steadying to finish at 433p for a net gain of a penny.

Barclays' discomfort during the late afternoon was in sharp contrast to the strong showing of HSBC, which forged ahead to close 23 higher at 624p after the well-received preliminary results from Midland Bank, taken over by HSBC last year. HSBC shares were additionally helped by the good performance of the Hong Kong market.

Lloyds, meanwhile, rose 9 to 540p and National Westminster, boosted by switching out of Barclays, put on 8 at 443p in heavy turnover of 5.3m.

The outstanding performance of Standard Chartered shares in the run-up to the March 10 figures continued apace, the stock ending 13 stronger at 692p, easily the highest the shares have traded since before the big crash of 1987.

Guardian Royal Exchange surprised the market in reporting a return to profits but, equally, disappointed some of the more optimistic analysts who had been looking for a modest increase in the dividend.

"Many analysts questioned the logic of not increasing the dividend after what was seen as a good profits performance," said one specialist, who added that GRE directors were given a rough ride by analysts during the post-results meeting.

GRE shares, initially bid up to 194p, came off sharply as the session wore on, closing only marginally higher at 189p. Turnover was a heavy 10m.

Commercial Union was the beneficiary of switching out of GRE, the shares accelerating to finish 15 firmer at 623p. Refuge jumped 20 to 948p after news of the sale of the estate agency businesses.

Glaxo was in the forefront of the market's advance, gaining 17 at 678p on turnover of 4.3m. ICI, similarly, raced up 43 to 1233p on good turnover of 4.3m.

Oil shares delivered another good performance, with US buying interest in the majors accompanied by equally strong support from UK investors. Much of the domestic buying interest in the sector was said to have been generated by an uprating of the sector by S.G. Warburg Securities, one of the leading UK integrated investment houses.

It was said that Warburg had shifted its stance on the oil sector from "hold" to "buy", citing the effect of currency movements on the sector. Warburg was thought to have been especially bullish of prospects for the exploration and production sector. Enterprise moved up 7 to 476p and Lasmo 3 to 185p. Of the majors, Shell, said to be Warburg's "core holding" in the sector, rose 8 to 578p on heavy turnover of 7m.

BP added 6½ at 289p, with turnover, boosted by yet more strong support from the US, reaching 13m shares. Specialists are convinced that US investors now speak for around a quarter of BP's equity and that follow-on buying from underweight UK funds could see the shares moving up to 300p in the short term.

Speculation late in the session that Williams Holdings, which reports figures today, was about to announce a rights issue and an acquisition left the shares a penny lighter at 360p after trade of 2.1m.

Automated Security climbed 10 to 161p, reflecting increasing optimism over prospects for the group's new TVX mini-surveillance system.

The market was cheered by the sharp increase in profits at Thomas Cowie, which jumped 14 to 211p.

Perry Group moved in sympathy with Cowie, gaining 10 at 146p. Credit Lyonnais Laing was said to have reduced its profits forcast in European Motor, which receded 9 to 93p.

Relief that Cadbury-Schweppes was not the purchaser of Terry's helped its shares firm 9 to 493p. Cadbury has for a long time been mentioned as a bid target for Philip Morris, but analysts pointed out that the purchase of Terry's may now rule out such a move on competition grounds.

Profit-taking in Unilever after the boost given to the stock by last week's favourable results left it 15 off at 1208p.

A profits downgrade from Cazenove hit Allied-Lyons, sending it down 10 to 593p. The broker is now said to be predicting current-year profits of £610m, against its previous estimate of around £625m, and for the following year £700m, against £725m.

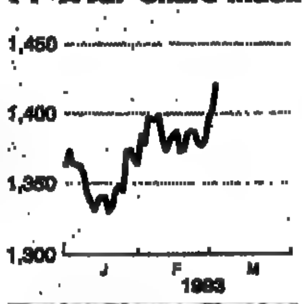
In the rest of the sector, Guiness fell victim to fears of an increase in taxation on drinks in both the US and UK, along with talk that a large stakeholder wanted to sell its holding. The shares gave up 6 to 441p in heavy trade of 6m.

Boddington was in demand ahead of today's figures, rising 6 to 216p. Sentiment was further encouraged by talk that the company was planning to dispose of its 19.5 per cent stake in J.A. Devenish, a penny easier at 273p.

MARKET REPORTERS:
Joel Kibazo,
Steve Thompson.

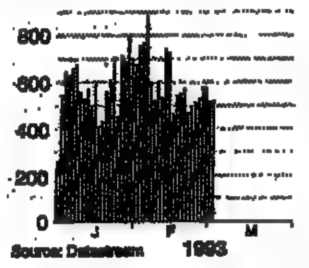
■ Other market statistics, Page 20

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream 1993

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (236).
BRITISH FUNDS (31) OTHER FIXED INTEREST (9) AMERICANS (4) Gillette, Pennzoil, Time Warner, Varity, BANKS (8) Allied Irish, Bk. Scotland 9¼pc Pf., Do 9¼pc Pf., HSBC, HSBC (HK) Standard Chrtd., BREWERS (1) Boddington, BLDG MATLS (1) Kalon, BUSINESS SERVS (7) ADT, [illegible] ... WATER (4) East Surrey, Mid Kent, Northumbrian, Wessex, MINES (6) Anglo Pacific, Caledonia, Greenwich Res., Mount Burgess, Normandy Poseidon, RTZ.
NEW LOWS (7).
BREWERS (1) Guinness, HEALTH & HSEHOLD (1) Specialeyes, INSCE BROKERS (1) Windsor, INV TRUSTS (1) Derby Inc., MISC (1) Stonehill, OIL & GAS (1) Teredo, MINES (1) OFS.

FINANCIAL TIMES EQUITY INDICES

	Mar 3	Mar 2	Mar 1	Feb 26	Feb 25	Year ago	High	Low
Ordinary share	2264.4	2233.3	2225.5	2208.4	2176.5	1988.5	2264.4	1670.0
Ord. div. yield	4.30	4.35	4.36	4.39	4.47	4.50	5.34	4.23
Earning yld % full	5.96	6.10	6.11	6.15	6.28	6.39	-	-
P/E ratio net	20.99	20.56	20.52	20.37	20.00	19.79	22.01	15.79
P/E ratio nil	19.40	19.46	19.34	19.28	18.94	18.79	-	-
Gold Mines	88.8	89.1	91.7	93.2	94.9	128.0	160.6	60.0

*for 1992/93. Ordinary share index since compilation: high 2264.4 3/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2250.7	2248.5	2252.8	2257.5	2263.2	2264.3	2259.7	2259.0	2261.0	2266.5	2245.8

Volume	Mar 3	Mar 2	Mar 1	Feb 26	Feb 25	Year ago
SEAQ Bargains	35,843	31,175	33,426	35,280	28,276	34,671
Equity Turnover(£m)†	-	1060.4	1152.2	1413.0	1377.8	1224.8
Equity Bargains†	-	37,196	40,188	35,840	32,436	39,398
Shares traded (ml)†	-	528.2	519.2	575.1	561.8	486.0

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

THIS week's strength in the stock index future justified itself yesterday, when the underlying stock market rose sharply ahead of this morning's policy meeting at the Bundesbank, writes Terry Byland. The equity market did not wait for the futures to open but quickly took advantage of arbitrage opportunities later in the day.

The March contract first traded at 2,912, responding to the overnight strength of Wall Street. It maintained the premium over cash at about 12 points, contrasting with the 4 point discount of the fair value calculation. Trading volume increased substantially, and the contract finally returned a volume total of 15,637 Contracts.

At best, the contract touched 2,934, showing a 12 point premium against the best of the underlying index. This premium was held at the official close and the future made further progress in late dealings when it was quoted at 2,936.

Traded options were also busier, returning total volume of 35,468 contracts against 32,346. The greatest increase came in the FT-SE, where business jumped from 4,986 to 14,726 contracts. The Euro FT-SE was also active, at 4,292 contracts, with Tesco recording 2,108 contracts and Barclays, where the market is nervous ahead of the results and dividend statement, 1,995 contracts. Selling of Guinness shares was reflected in activity in traded options.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2918.6 +36.3	3077.9 +27.9	1419.72 +16.31

	Mar 3	Day's change %	Mar 2	Mar 1	Feb 26	Year ago	Earnings yield %	Dividend yield %	P/E Ratio	Xd adj ytd
FT-SE 100	2918.6	+1.3	2882.3	2882.6	2868.0	2558.4	6.34	4.15	20.07	13.45
FT-SE Mid 250	3077.9	+0.9	3050.0	3049.7	3038.1	2523.6	6.70	4.16	18.67	9.00
FT-SE-A 350	1438.0	+1.2	1421.1	1421.2	1414.2	1243.1	6.42	4.15	19.80	6.11
FT-SE SmallCap	1549.02	+0.7	1538.21	1538.12	1529.16	−	5.30	4.13	26.32	5.79
FT-SE SmallCap ex Inv Trusts	1553.00	+0.7	1541.58	1538.41	1530.94	−	5.90	4.39	24.23	5.02
FT-A ALL-SHARE	1419.72	+1.2	1403.41	1403.48	1396.53	1228.42	6.35	4.15	20.09	5.98
1 CAPITAL GOODS(211)	951.08	+1.4	937.96	935.23	928.03	799.05	5.92	4.44	25.12	1.70
2 Building Materials(27)	982.75	+0.5	977.62	974.81	960.28	972.42	5.19	5.37	27.44	0.77
3 Contracting, Construction(29)	825.75	+1.0	817.74	823.22	820.45	904.20	3.03	5.84	80.00†	1.66
4 Electricals(14)	2721.95	+3.0	2642.08	2588.76	2560.09	2472.44	5.37	5.33	24.54	3.25
5 Electronics(35)	2576.51	+2.3	2519.24	2516.95	2505.75	1890.84	6.18	3.32	20.47	15.06
6 Engineering-Aerospace(7)	355.52	+1.6	350.01	348.91	351.73	339.39	9.85	5.04	12.80	1.03
7 Engineering-General(52)	556.91	+1.0	551.54	550.47	547.11	494.47	7.17	4.28	17.84	1.30
8 Metals & Metal Forming(11)	387.17	+0.7	384.35	377.71	370.65	384.48	4.48	3.39	32.45	0.34
9 Motors(18)	402.26	+1.1	398.00	396.08	396.07	318.10	4.93	5.85	29.89	0.00
10 Other Industrials(18)	2088.54	+1.6	2055.54	2052.12	2033.11	1583.81	5.96	4.07	20.39	0.30
21 CONSUMER GROUP(232)	1718.93	+0.7	1706.65	1707.87	1696.63	1669.95	5.87	3.49	18.08	6.37
22 Brewers and Distillers(28)	1947.21	−0.5	1956.45	1957.96	1945.62	2101.13	8.65	3.99	14.09	10.18
25 Food Manufacturing(22)	1441.79	−0.1	1442.82	1440.29	1428.60	1266.66	7.32	3.70	17.09	1.54
26 Food Retailing(18)	3210.28	+0.5	3195.81	3201.08	3163.13	2665.44	7.92	3.27	16.43	2.40
27 Health & Household(29)	3844.96	+1.5	3786.69	3811.63	3802.09	4291.22	6.04	3.10	19.16	21.95
29 Hotels and Leisure(20)	1354.78	+1.3	1336.91	1331.84	1329.13	1291.21	6.27	5.08	20.93	14.46
30 Media(33)	1897.46	+0.9	1881.24	1881.53	1874.75	1568.43	5.48	2.84	22.72	3.38
31 Packaging and Paper(23)	851.31	+0.9	843.57	843.24	832.99	765.90	6.33	3.87	19.49	0.57
34 Stores(39)	1143.51	+1.3	1128.95	1123.92	1112.62	1074.12	6.26	3.19	21.20	2.92
35 Textiles(20)	789.99	+0.7	784.50	785.35	786.64	656.22	6.23	4.03	20.32	0.66
40 OTHER GROUPS(142)	1524.97	+1.3	1505.49	1508.86	1499.63	1238.74	7.92	4.33	15.57	4.84
41 Business Services(27)	1669.89	+1.3	1647.76	1659.96	1651.28	1394.27	5.37	3.09	22.96	0.48
42 Chemicals(23)	1548.00	+1.9	1518.88	1528.20	1523.88	1513.58	5.68	4.72	22.33	0.67
43 Conglomerates(11)	1506.07	+0.7	1495.79	1493.15	1492.37	1334.35	6.94	5.32	16.30	13.31
44 Transport(16)	2938.67	+0.3	2928.64	2929.34	2908.43	2435.45	7.27	4.05	16.62	2.49
45 Electricity(16)	1673.07	+0.9	1658.90	1656.02	1646.16	1249.93	12.95	4.34	9.92	16.54
46 Telephone Networks(4)	1790.58	+2.3	1750.35	1748.51	1736.44	1434.28	7.35	3.82	17.74	1.63
47 Water(13)	3480.00	+0.6	3462.25	3440.57	3414.15	2473.35	12.95	5.06	8.57	11.63
48 Miscellaneous(32)	2432.93	+0.8	2412.65	2450.72	2421.93	1774.56	6.00	4.22	21.00	1.84
49 INDUSTRIAL GROUP(585)	1471.95	+1.0	1456.75	1457.59	1447.93	1313.61	7.06	3.96	17.06	4.66
51 Oil & Gas(18)	2421.25	+1.5	2385.06	2362.12	2389.19	2058.29	5.93	5.26	21.97	23.60
59 "500" SHARE INDEX(603)	1558.31	+1.1	1541.45	1540.68	1533.39	1383.71	6.94	4.10	18.06	6.02
61 FINANCIAL GROUP(89)	983.38	+1.6	967.80	970.05	964.02	732.05	3.83	4.70	43.16	6.00
62 Banks(9)	1351.52	+1.7	1328.85	1333.54	1333.20	916.57	5.96	4.43	22.93	10.88
65 Insurance (Life)(6)	2006.91	+1.7	1973.49	1959.16	1923.24	1498.03	2.52	4.53	69.94	0.00
66 Insurance (Composite)(7)	659.67	+2.0	646.63	653.29	637.21	484.46	‡	5.01	‡	5.25
67 Insurance Brokers(10)	794.05	+0.8	787.89	788.38	781.57	1000.36	7.40	6.72	18.23	5.42
68 Merchant Banks(6)	609.14	+2.3	595.25	595.70	594.63	471.39	6.96	3.75	18.89	2.32
69 Property(28)	737.75	+1.1	729.88	729.03	727.13	726.56	7.61	5.74	17.01	1.35
70 Other Financial(23)	345.22	+0.3	344.16	345.14	344.00	246.91	6.35	4.95	20.67	1.10
71 Investment Trusts(107)	1459.54	+0.8	1448.01	1483.14	1445.82	1194.95	2.28	2.90	43.77	6.85
99 FT-A ALL-SHARE(799)	1419.72	+1.2	1403.41	1403.48	1396.53	1228.42	6.35	4.15	20.09	5.98

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2904.9	2902.0	2908.4	2912.9	2918.3	2919.2	2913.9	2913.8	2916.3	2922.0	2897.6
FT-SE Mid 250	3060.0	3060.4	3061.0	3066.0	3073.4	3076.2	3075.9	3075.1	3076.7	3077.9	3059.5
FT-SE-A 350	1430.9	1429.8	1432.3	1434.6	1437.4	1438.0	1438.0	1438.0	1437.0	1439.2	1428.0

Gross dividend yield (ACT at 25%) FT-SE 100:4.15%

FT-SE Actuaries 350 Industry Baskets

[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or −	1992/93 high	1992/93 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
Treas 10pc 1993‡‡		100½	—	101⅛	99½	9.95	[illegible]
12½pc 1993‡‡		102½	—	104½	100½	12.20	[illegible]
Funding 6pc 1993‡‡		100⅞xd	—	100¼	95½	5.99	[illegible]
Treas 13¼pc 1993‡‡		105⅜	−1⁄16	107⅝	103⅞	13.00	[illegible]
8½pc 1994		102⅛	—	102⅞	96⅞	8.28	[illegible]
14½pc 1994‡‡		109⅛	—	110¼	104⅞	13.24	[illegible]
Exch 13½pc 1994		108⅝	—	110⅛	103⅞	12.41	[illegible]
Treas 10pc Ln 1994‡‡		105½	−1⁄16	106⅛	98⅞	9.48	[illegible]
Exch 12½pc 1994		109⅜	—	110⅞	103⅞	11.40	[illegible]
Treas 9pc 1994‡‡		105⅛	—	106⅛	96⅞	8.64	[illegible]
12pc 1995		111⅛	—	111⅛	102⅛	10.86	[illegible]
Exch 3pc Gas 90-95		96½	—	96⅞	88⅞	3.11	[illegible]
10¼pc 1995		109⅞	—	109⅞	99⅞	9.35	[illegible]
Treas 12¼pc 1995‡‡		116⅜	—	116⅞	105⅞	10.93	[illegible]
14pc 1996		120⅛	—	120⅞	109⅞	11.64	[illegible]
15¼pc 1996‡‡		125⅛	—	125⅞	113⅞	12.18	[illegible]
Exch 13¼pc 1996‡‡		119⅞	—	120⅛	108	11.07	[illegible]
Conversion 10pc 1996		111¼	—	111⅞	99⅞	8.99	[illegible]
Treas 13¼pc 1997‡‡		122⅛	—	122⅞	109⅞	10.84	[illegible]
Exch 10½pc 1997		113⅜	—	113½	100⅞	9.27	[illegible]
Treas 8¾pc 1997‡‡		106⅛	—	106⅞	94	8.19	[illegible]
Exch 15pc 1997		131⅞	+1⁄16	132⅛	117⅞	11.37	[illegible]
9¾pc 1998		112⅛	+1⁄16	112⅛	97⅞	8.70	[illegible]
Five to Fifteen Years							
Treas 7¼pc 1998		102⅛xd	—	103⅞	90⅞	7.14	[illegible]
Treas 6¾pc 1995-98‡‡		100½	—	100⅞	88⅞	6.72	[illegible]
15½pc '98‡‡		137⅜xd	+1⁄16	137⅞	123⅞	11.24	[illegible]
Exch 12pc 1998		122⅛	+1⁄16	122⅛	107⅞	9.83	[illegible]
Treas 9½pc 1999‡‡		111⅞	+1⁄16	112⅛	97⅛	8.50	[illegible]
Exch 12¼pc 1999		124⅛xd	+1⁄16	124⅛	109½	9.87	[illegible]
Treas 10½pc 1999		116⅞	+1⁄16	116⅞	101⅞	8.99	[illegible]
Conversion 10¼pc 1999		116⅛	+1⁄16	116⅛	100⅞	8.82	[illegible]
9pc 2000‡‡		110⅛	+1⁄16	110⅛	94⅝	8.17	[illegible]
Treas 13pc 2000		130⅛	+1⁄16	130⅛	114⅞	9.97	[illegible]
10pc 2001		114⅞	+1⁄16	114⅞	99⅞	8.73	[illegible]
14pc '98-1		129		129⅛	115⅞	10.85	[illegible]
9¾pc 2002		113⅞	+1⁄16	113⅞	98⅝	8.59	[illegible]

BRITISH FUNDS - Cont. [illegible]

BRITISH FUNDS - Cont. [illegible]

OTHER FIXED INTEREST [illegible]

Continued on next page

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅞xd	–¼	21¼	14⅝	14,907	2.8
Allegheny & W	♥	538p	—	538p	226p	278.8	3.8
Amdahl		544p	—	1158p	438p	619.9	1.3
Amer Cyanamid		34⅝	+⅛	38⅝	28⅝	3,121	3.3
Amer Express		16⅞xd	–⅛	17¼	10¼	6,966	4.1
Amer T & T		38½xd	–⅛	39⅝	20⅛	61,034	2.4
Ameritech		51¼	+½	52¾	32½	22,858	4.9
BankAmerica		35⅞xd	–1⅛	37⅞	18⅞	12,382	2.7
Bankers NY		48¼xd	+1⅛	48⅞	28⅝	3,752	4.6
Bell Atlantic		38⅝	+⅛	39⅛	23⅛	16,612	4.7
BellSouth		38¼	+⅛	38⅝	25	19,374	4.9
Bethlehem Steel	♥	11⅝xd	+¼	13¼	5¼	1,052	–
Bowater		1537pxd	+17	1682p	905p	558.9	1.8
CPC	h	33⅛xd	–⅛	34	22⅞	6,807	2.5
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1428p	—	1428p	591p	258.6	–
Chase Manhattan		21¾xd	–⅛	22¼	9⅛	3,342	3.8
Chrysler		27¼xd	+⅛	28⅞	6¼	7,979	1.5
Citicorp		17⅞xd	–⅛	18½	5⅛	6,511	–
Colgate–Palm		43⅝xd	+⅛	44⅛	25¼	6,965	2.0
Cont'l Bank		1676p	—	1691p	499p	1,683	2.5
Dana		38⅞xd	–⅛	34⅞	14⅞	1,419	3.8
Data General		987p	+43	1094p	394p	258.3	–
Decora Inds	♥	148p	—	148p	65p	–	–
Dun & Brad		39½	+⅛	40⅝	27⅝	7,037	4.0
Eaton		55⅛	+⅛	58⅞	32½	1,986	2.8
Echlin		15⅞xd	–⅛	18⅞	7⅛	813.4	3.0
FPL		26⅞xd	–⅛	27⅞	17⅞	4,786	6.5
Ford Motor		32¼	+⅝	35⅞	15	15,985	2.1
Gen Elect		58⅝xd	+⅛	61¼	38¼	50,068	3.0
General Host	♥	762p	—	723p	360p	–	3.6
Gillette		41¼xd	+⅛	41¾	23⅞	9,174	1.2
Hasbro		29⅞	—	23½	12⅛	1,815	0.8
Honeywell		22⅞xd	–⅛	24⅝	16	3,078	2.7
Houston Inds		32¼	—	33¼	22	4,241	6.3
IBM		37⅛xd	–⅞	54½	29⅝	21,182	4.0
Ingersoll–Rand		23⅞xd	–⅝	25	12⅞	2,435	2.1
Lockheed		48¼	—	42½	22⅞	2,408	3.6
Lowe's	h	2029p	+34	2102p	815½p	1,480	0.9
Merrill Lynch		46⅝xd	–⅛	48¼	24⅞	4,791	1.8
Morgan (JP)		44⅞xd	–¼	46¼	28⅞	6,687	3.7
Morris (Philip)		46½xd	+1⅛	52¾	37⅞	42,858	2.6
NYNEX		62¼	+¼	64⅛	39⅝	12,939	5.1
Pall		12⅞xd	–⅞	15	8⅞	1,404	1.8
Pennzoil		40¼xd	+⅛	40¼	23⅛	1,636	5.1
Quaker Oats		47⅞xd	+⅛	47⅞	28	3,458	2.8
Rockwell		19⅝xd	–⅛	21⅛	11½	4,394	3.2
Rep NY		33⅞xd	—	34⅛	20⅞	1,776	2.2
Sears, Roebuck		36⅞xd	–⅛	37⅞	19⅞	12,462	3.1
Sthwestern Bell		51¼	+⅛	52⅛	31⅛	15,506	3.9
Sun Co		19⅝xd	+⅛	21⅛	12⅞	2,085	6.3
Tenneco		31¼xd	–⅛	32¼	16½	4,872	3.5
Texaco		43⅞	+⅛	44¼	30⅞	11,367	5.0
Time Warner	h	25xd	+⅛	25	11½	9,288	0.8
Unilab	♥	450p	—	687p	320p	204.9	–
URS Intl. 1c		0½p	—	1¼p	0⅛p	8.51	–
US West		29½	+⅛	30¼	18¼	12,195	4.9
Varity		2124p	+34	2124p	632p	642.3	–
Waste Manage		24⅞xd	–⅛	27⅞	16⅞	11,949	1.5
Whirlpool		3454pxd	+25	3824p	1766p	2,414	2.2
Woolworth	♥	29⅛	+½	30	13¼	2,839	3.8

CANADIANS

	Notes	Price £	+ or –	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbot Energy	♥	2p	—	2p	1¼p	–	–
Amer Barrick		1213p	+32	1236p	624p	3,432	0.7
Bk Montreal	h	12⅞xc	—	12⅞	8⅝	1,524	4.9
Bk Nova Scot		1269p	—	1349p	899p	2,855	4.7
BC Gas	♥	787p	+24	870p	621p	–	4.1
BCE		25⅝	+⅛	25¼	18⅞	7,873	5.7
Brascan	♥	581p	+7	959p	454p	482.7	10.6
Bramalea	♥	13¼p	—	33p	6p	8.43	–
Can Imp Bk		1583p	+7	1610p	1157p	2,836	4.8

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or -	1992/93 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	197	+2	200	147	3.1	234.9	16.1
Warrants	46	+1	46½	21	-	-	-
Scot Mortgage	195	+2	196½	135	2.7	225.3	13.9
Scot National Inc	69½	+1	107	65¾	10.7	-	-
Cap	24	—	42	12½	-	71.4	66.4
Stepped Pf	154¾	+1½	155½	126	5.3	-	-
Zero Div Pf	208½	—	212	166½	-	-	-
Warrants	4	—	9	3	-	-	-
Scot Value	77½	—	77½	46	3.1	78.1	-1.8
Sec Alliance	1473xd	+5	1493	1098	3.3	1637.9	10.2
Second Consid	107	—	108	88	-	183.4	41.7
Second Market	314	+2	314	222	0.6	346.6	9.3
Sec Tst Scot	84	+1	84	61	5.2	86.8	2.7
Select Assets	124xd	+1	125	78½	1.3	170.5	27.3
Eq Ind Sert	131	+1	132	105	4.3	-	-
Eq Ind Sent	131	+1	133	108	4.3	-	-
SHIRESCOT	118xd	—	123	96	5.9	119.9	1.6
Shires	266	+1	282	189	9.5	249.0	-3.2
11pc Cv Ln '03/04	£126xd	—	£131½	£95½	8.7	-	-
Siam Select	132	+1	133	88	6.3	153.0	14.1
Warrants	35	—	37	10	-	-	-
Smaller Cos	95xd	—	98	66	3.6	102.6	7.9
Warrants	23	—	25	10	-	-	-
Sphere Inc	26½	+1	26½	9½	20.2	32.5	40.0
Zero Div Pf	83¾	+½	85¼	63¾	-	-	-
Sumit	46	—	55	30	3.7	93.6	51.9
TR City of Lon	136	+1½	137	97½	4.7	132.0	-2.7
TR Euro Growth	107	+1	107	70	1.7	111.0	3.6
Pig Sub	59	+1	54	27	3.8	-	-
TR Far East Inc	137	+1	139	78	4.4	135.9	0.5
Warrants	35	+½	38½	12	-	-	-
[illegible]							

MERCHANT BANKS

Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's	P/E
Baring 8pc Cm 2nd Prf	108½	—	108½	[illegible]			
9¼pc Non-Cum Prf	125¼	+¼	125¼	[illegible]			
Close Bros	335	—	335	[illegible]			
Hambros	315	+3	318	[illegible]			
7½pc Cv Pf	132	+1	139	[illegible]			
Joseph (L)	358	—	363	[illegible]			
Kleinwort Benson	385xd	+5	389	[illegible]			
Rea Bros	46	—	47	[illegible]			
Schroders	1668	+60	1688	[illegible]			
N/V	1438	+60	1438	[illegible]			
Singer & Fried	63	+1	65	[illegible]			
Warburg (SG)	629	+8	635	[illegible]			
8pc Cv Pf	216xd	+1	218	[illegible]			
Wintrust	281xd	—	283	[illegible]			

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, including exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♠ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT7351. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro [illegible]

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible] The symbols are as follows: [illegible] - 0001 to 1100 hours; [illegible] - 1101 to 1400 hours; [illegible] - 1401 to 1700 hours; [illegible] - 1701 to midnight. [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]
FT Managed Funds Service.
[illegible]
Centre Point,
[illegible] New Oxford Street, London [illegible]
Tel: 071 - [illegible]

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
European	5	110.10	110.70	116.50	+0.10	1.38
Intl Bond & Conv	5	126.00	126.30	132.90	-0.40	5.43
Pooled Pension ‡	7	151.7	155.6	166.4	.....	–
Smaller Cos	5	61.20	63.10	66.42	+0.06	1.97
UK General	5	117.60	119.40	125.70	+1.30	2.72
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	390.05	390.05	414.95	+6.88	4.99
Global Inc	5	58.53	58.53	62.26	+0.29	3.92
Brit Leaders	5	319.57	319.57	339.97	+4.62	3.02
Intl Leaders	5	189.05	189.05	201.12	+1.20	1.64
Pen Man Bal Gwth Inc ♥	3¼	52.96	54.25	56.36	-0.03	3.02
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham BR3 4TF 081-663 3003						
European Trust	6	53.39	53.48	56.90	-0.11	2.32
Far Eastern Tst	6	56.27	57.06	60.71	-0.42	1.13
Smaller Cos	5	141.9	146.4	155.7	-0.8	1.87
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American ‡	5	272.9	273.4	[illegible]	[illegible]	[illegible]
S & W Capital	5	116.2	116.2	124.5	+0.10	1.78
S & W Cash ‡	0	102.59	102.59	102.50	+0.01	5.70
S & W European	5	117.2	117.3	124.1	-0.60	1.55
S & W Far Eastern	5	120.9	122.1	129.2	-0.10	0.07
S & W Growth	5	123.5	125.0	132.3	....	2.50
S & W Income	5	109.9	111.1	117.6	+0.30	4.93

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 [illegible]						
Challenger	2¼	95.46	95.66	95.85	-0.62	[illegible]
Short Dtd Gilt	1¼	110.0	110.0	111.4	....	[illegible]
U.S. Govmt Bond	1¼	0.7224	0.7224	0.7217	.....	[illegible]
Gilt Income	4	52.93	52.93	55.08	+0.04	[illegible]
Gilt Growth	4	65.96	65.96	68.66	+0.05	[illegible]
City Reserve	0	52.25	52.25	52.25	....	[illegible]
Woolwich Unit Trust Managers Ltd (1700)F						
1 White Oak Square, Swanley BR8 7AG 0705 38[illegible]						
Stockmarket Fd F	5	66.14	66.35	70.58	+0.74	[illegible]

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Expt Mar 3	650.2	680.1	-4.8	1.02
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	52.84	54.73	....	[illegible]
Income Plus	50.07	51.10	....	[illegible]

[illegible]

INSURANCES

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Adventurous Mngd	167 8	178 6	+0.1	−
Balanced Grwth Mngd	686 0	729 8	+3.2	−
Cautious Mngd	130 8	139 2	+0 2	−
Cash Fd	318 1	335 3		−
Property Fund	217 1	231.0		−
Gilt Fund 20	451.1	479 9		−
Equity Fund	786 4	836 7	+2 0	−
Fxd. Int. Fund	424 8	447 7	−0 1	−
International	350 6	373 0	+0 7	−
High Income	614 8	654 1	+5 0	−
Technology	453 9	482 9	+1.6	−
North American	470 4	500.5	+1 6	−
Far East	462.3	491.9	−4 6	−
Special Sits	565 4	601 5	+5.6	−
Extra Inc Fd	333 7	355.1	+2.7	−
American Income	191 2	203.5	−0.3	−
Convertible & Gilt Fd	161.3	171 7		−
European Fund	127.8	136 0	−0 3	−
Pref & Fixed Inc.	116 8	124.3	+0 1	−
UK Blue Chip	120 6	127 1	+1 2	−
Recovery Fund	119 0	125 5	+1.3	−
Equity Income Dist.	110 9	118 0	+0.5	5.08
Managed Dist	104 9	111 6	+0 3	5.77
High Yield Dist	105 8	111.5	+0 1	8.00
Pension Funds				
Adventurous Mgd Pens Acc	178 3	187 7	+0.2	−
Balncd Gth Mgd Pens Acc	807 8	850 4	+5 1	−
Cautious Mngd Pens Acc	151.8	159 8	+0.3	−
Building Soc. Acc.	367 4	386 8		−
Property Pens Acc	296 4	312.0		−
Fix Int. Pens Acc	674 0	709.5	−0.2	−
Equity Pens Acc	1031 0	1085.3	+4 9	−
International Pens Acc	328.5	345 8	+0.9	−
High Inc Pens Acc	696 1	732 8	+6.4	−
Tech Pens Acc	319 8	336 7	+0.8	−
N American Pens Acc	361.9	381 0	+0 8	−
Far Eastern Pens Acc	472.5	497.4	−4 6	−
Special Sits Pens Acc	466.0	490 6	+6 0	−
Extra Income Pens Fd	410 4	432 0	+3 7	−
American Inc Pens	222.2	233 9	+0 2	−
Convertible & Gilt Pens	197 2	207 6	−0 7	−
European Pens	143.5	151 1	−0.4	−
Managed Cash Pens	172.9	182.1		−

Reliance Mutual

J Rothschild Assurance PLC

Providence Capital Life Assc. Co Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assc. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Mngrs (IOM)				
Traders Fund Ltd (‡)*	$17.01	18.39	+0.002	-
*Dealings Wednesday				
City Financial Admin (IoM) Ltd				
Beckman Option & Warrants	0.36	0.44	----	0.00
Beckman Option & Warrants $	$0.51	0.64	----	0.00
Beckman Reserve Assets	102	102xd	----	0.00
Duncan Lawrie Inv. Mgt. Ltd				
DL Sterling	136.9	143.8	----	3.6
DL International	$1.42	1.51	----	2.3
Gartmore Fund Managers (IoM)				
Intl. Inc.°	17.8	18.9	+0.2	9.0
* Projected Yield				
John Govett Management (IoM) Ltd				
Dlr Geared Cur NAV Feb 26		$14.92	----	-
Paragon Plus Red Feb 1		£9.85	----	-
Paragon Stlg Red Feb 1		£11.33	----	-
SE Asian Wrt NAV Feb 25		$10.36	----	-
Govett Mngd Futs Feb 26	£13.85	15.15	----	-
Govett Mngd Futs Feb 26	$9.74	10.65	----	-
Max Horizons Inv Feb 25		$14.38	----	-
Max Horizons Inv Wts Feb 25		$8.13	----	-
Dlr Geared 86 Feb 26		$7.76	----	-
IBI Global Funds Limited				
Intl Stlg Gwth	£22.18	23.36	+0.33	-
Intl $US Gwth	$18.53	19.52	+0.34	-
High Income Gilt	£27.52	28.53	+0.46	-
International Equity	£22.84	24.06	+0.77	-
International Bond	£24.71	25.62	+0.28	-
Managed Currency	£28.13	28.42	+0.03	-
Sterling Currency	£26.87	27.15	+0.09	-
US$ Currency	$37.89	38.29	+0.01	-
Irish £ Currency	I£15.91	16.08	+0.05	-
K & M Fund Managers Ltd				
LFM Sterling Fd	£11.32	11.80	----	-
B.F Offshore Inc Fd Ltd	£12.58	13.11	----	-
IMC Offshore Fd	£9.89	10.71	----	-
Nelson Mngs W/W S/S	£11.44	11.84	----	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633

	Bid Price	Offer Price	+ or -	Yield Gross
John Govett Management (Jersey) Ltd				
Global Emer Co NAV Feb 25		$12.52	----	-
Super Sector Fd NAV Feb 26		$10.6453	----	-
Paragon Fd NAV Feb 28		$10.64	----	-
Paragon Redemption		$10.11	----	-
Hungarian Inv Co Jan 31		$96.79	----	-
Managed Selection	$9.517	10.03	----	-
INVESCO MIM International Limited				
All Funds deal daily except where indicated.				
Sterling Denominated Income Funds				
American Equity Inc	£1.9540	2.0970	-0.0210	2.33
Japan Inc & Gwth	£1.5100	1.6200	-0.0110	-
Sterling Denominated Growth Funds				
Capital Deposit	£38.4600	38.4700	----	-
European Perform	£0.9671	0.5029	-0.0016	-
Far East	£2.8350	3.0460xd	-0.0200	-
Pioneer Markets	£3.9690	4.2680	-0.0140	-
UK Growth	£1.2980	1.3420	----	1.54
£ Mngd Portfolio	£1.7290	1.8690	-0.0080	-
US Dollar Denominated Growth Funds				
Japan Performance	$2.0950	2.2530	-0.0090	-
Gtd NW 1994**	$9.2200	-	----	-
MIM London Agents				
Apollo Fd Feb 24*	SFr88.0	94.46	----	-
*Weekly Dealing. †Fortnightly Dlng **Monthly Dlng.				
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Inv Port	£2.597	2.762	----	1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge Ltd	£10.24	10.29	+0.03	9.13
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Feb 25	$13.95	14.29	----	2.81
For Nat. Westminster see Coutts & Co.				
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Feb 25	$36.27	38.58	----	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd.	$3.7405	3.9751	----	-
Offshore Japanese Gwth Fd.	$0.9505	1.0101	----	-
Offshore Am Gwth Fd.	$6.6135	7.0282	----	-
Offshore Emerging Cos.	$4.1757	4.4376	----	-
Offshore European Fd	$1.5549	1.6524	----	-
Offshore Global Bond	$1.0058	1.0478	----	-
Offshore Global Bond Acc	$1.0058	1.0478	----	-
Offshore Far Estrn Fd.	$2.5695	2.7307	----	-
Offshore UK Growth Fd.	$2.0479	2.1764	----	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Waiting for the Bundesbank

BOTH the dollar and sterling registered small gains against the D-Mark in European trading yesterday after the Bundesbank drained rather less liquidity from the German money market than dealers had expected, *writes James Blitz.*

Around DM32bn of funds have been added to the market this week in the wake of the easing of minimum reserve requirements for German banks. Although some DM14.8bn was drained earlier in the week by the introduction of short-term bills to the market, the Bundesbank only withdrew a further DM2.4bn more from the system yesterday in its weekly operations.

This brought a slight lowering in D-Mark money market rates. The Bundesbank's accommodative stance made the comparatively low short term rates in the US and UK look less cheap. The dollar closed ¼ pfennig higher in Europe at DM1.6450, while the pound continued the week's rally closing another ¼ pfennig higher at DM2.3850.

If the moves in the dollar and sterling were muted, it was probably because dealers were waiting for the two most important events of the week: today's Bundesbank council meeting and tomorrow's non-farm payroll figure.

Will the Bundesbank ease official rates today? The council's deliberations are, in the final analysis, unpredictable. But Miss Alison Cottrell of Midland Global Markets, believes the council will only announce a lower fixed rate repo for next week.

In her view, recent declarations by two regional council members that inflation was not beaten put the council's hawks in the ascendant. She also believes that a small cut in the discount rate might backfire on the Bundesbank, because it would suggest to the foreign exchange markets that German rates were coming down too slowly to take pressure off the French authorities – and this might bring a return to the strains in the European exchange rate mechanism.

Mr Christian Dunis, an economist at Chemical Bank in London, also believes that there is insufficient pressure in the ERM to force the Bundesbank to ease policy.

He says that the Bundesbank could leave official rates untouched at both today's meeting and the one on the 18th because the most likely time for pressure to return will be after a right wing government is elected in France at the end of the month.

However, other economists believe that the economic outlook in Germany is deteriorating at such a pace that the Bundesbank will be forced to stimulate policy as soon as possible.

A critical test for sterling in the remainder of this week will be whether it crosses the crucial DM2.40 barrier against the D-Mark. But Mr Ian Harnett of Société Générale Strauss Turnbull believes the currency will be sold down again whether the Bundesbank eases today or not.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 3	% Change from Central Rate	% Spread v Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	139.476	-1.88	2.48	33
Irish Punt	0.809996	[illegible]	-1.41	1.99	55
Portuguese Escudo	180.624	178.181	-1.35	1.93	23
Dutch Guilder	2.20045	2.18297	-0.79	1.36	30
Belgian Franc	40.2802	39.9799	-0.75	1.31	27
D-Mark	1.95294	1.94107	-0.61	1.17	27
Danish Krone	7.44934	7.44279	-0.09	0.64	[illegible]
French Franc	6.54988	6.58604	0.55	0.00	-41

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu, a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4460 - 1.4620	1.4495 - 1.4505	0.39-0.37cpm	3.14	1.03-1.00pm	2.80
Canada	1.8020 - 1.8195	1.8065 - 1.8075	0.15-0.08cpm	0.76	[illegible]	0.52
Netherlands	2.6795 - 2.6875	2.6775 - 2.6875	[illegible]	-1.96	[illegible]	-1.86
Belgium	48.80 - 49.20	49.05 - 49.15	10-14cdis	-2.93	31-36dis	-2.73

POUND – DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4500	1.4462	1.4399	1.4323	1.4212

* Contracts traded on APT. Closing prices shown

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williamson Secs.	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKETS

An important day

INTEREST RATE futures in Europe rose again yesterday as dealers continued to assume that the Bundesbank would cut Germany's discount rate at its council meeting today, *writes James Blitz.*

There was one clear sign yesterday that the Bundesbank was happy to see monetary policy relax a little. The central bank drained a net DM2.4bn from the banking system when accepting bids for this week's allocation of funds.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The draining was rather less than the market had expected, following the addition of DM32bn of funds through the relaxation of minimum reserve requirements at the start of the week. Taking the recent issue of short-term bills into account, a net DM15bn of funds has been added to the system.

This helped German call money down to 8.59 per cent yesterday, from 9 per cent earlier in the week. Three-month money also dropped to 8.18 per cent.

Both of these moves helped the March Euromark contract up 8 basis points to a close of 92.04. But the contract's rise also clearly assumed that the official discount rate will be cut today, because it is pricing 3-month money at 7.96 per cent when the contract expires in 10 days time.

The market's assumption is that the discount floor, now at 8.00 per cent, will be lowered. Both the growing recession in Germany and recent money supply figures showing a net drop in M3 growth underline the possibility that the central bank council might ease policy today. However, the Bundesbank may await the results of talks on a Solidarity Pact between the German government, opposition and trade unions before moving rates.

The March French franc contract was unchanged at 88.60. But the June contract rose 10 basis points to close at 93.12, reflecting assumptions that French rates must come down by the summer.

The March short sterling contract rose 8 basis points yesterday, to close at 94.07. It was helped by the Bundesbank's money market operations and a monthly report by the UK Treasury suggesting that the UK economy should show signs of recovery this year. Three-month sterling cash rose $\frac{1}{16}$ per cent to $6\frac{1}{16}$ per cent because of difficulties removing a shortage of £1.95bn forecast by the Bank of England.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar.3) 3 months US dollars		6 months US Dollars	
bid 3⅛	offer 3¼	bid 3¼	offer 3⅜

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	2.91	Three year	4.23
Broker loan rate	5	Two month	2.89	Five year	5.07
Fed.funds	3⅛	Three month	3.02	Seven year	5.51
Fed.funds at intervention	-	Six month	3.12	10-year	5.89
		One year	3.27	30-year	6.80
		Two year	3.83		

Mar 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.50-8.65	8.40-8.55	8.15-8.30	8.05-8.20	7.55-7.70	9.00
Paris	11⅛-11⅜	11½-11⅞	-	11½-11⅞	-	9.10
Zurich	5⅝-5⅞	5⅜-5½	-	5¼-5⅜	-	-
Amsterdam	8.25-8.37	8.10-8.20	-	7.80-7.88	-	-
Tokyo	3⅛-3¼	3⅛-3⅜	-	-	-	-
Milan	11¼-11⅞	11⅞	-	11⅛-11⅜	-	-
Brussels	-	8⅞-8⅞	-	8⅞-8⅞	-	-
Dublin	10¾-11	14¼-14½	14-14¼	13¾-14¼	13-13¾	-

LONDON MONEY RATES

Mar 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7¼	6½	6⅛	6⅛	5⅞	5¾
Interbank Bid	6	6¼	6⅛	6	5¾	5⅝
Sterling CDs.	-	-	6⅛	5⅞	5⅞	5⅝
Local Authority Deps.	6	6¼	6⅛	6	5⅞	5⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6½	6¼	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	6⅛	6	5⅞	5⅝
Treasury Bills (Buy)	-	-	5⅞	5⅝	5½	-
Bank Bills (Buy)	-	-	5⅞	5⅞	5⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs.	-	-	3.03	3.06	3.12	3.35
SDR Linked Dep. Offer	-	-	5½	5⅜	5¼	5⅛
SDR Linked Dep. Bid	-	-	5⅜	5¼	5⅛	5
ECU Linked Dep. Offer	-	-	9⅝	9⅜	9⅛	8⅞
ECU Linked Dep. Bid	-	-	9½	9¼	8⅞	8⅝

Treasury Bills (sell); one-month 5⅝ per cent; three months 5½ per cent; six months 5⅜ per cent; Bank Bills (sell): one-month 5¾ per cent; three months 5⅝ per cent; Treasury Bills: Average tender rate of discount 5.4148. ECGD Fixed Rate Sterling Export Finance. Make up day February 26, 1993. Agreed rates for period March 24, 1993 to April 25, 1993. Scheme I. 7.35 p.c., Schemes II & III. 7.47 p.c. Reference rate for period January 30, 1993 to February 26, 1993. Scheme IV&V: 6.228 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 7 from March 1, 1993: Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 2¼ per cent; one-three months 5¼ per cent; three-six months 5 per cent; six-nine months 4¾ per cent; nine-twelve months 4½ per cent; Under £100,000 2¼ per cent from Jan 27, 1993. Deposits withdrawn for cash 1¼ per cent.

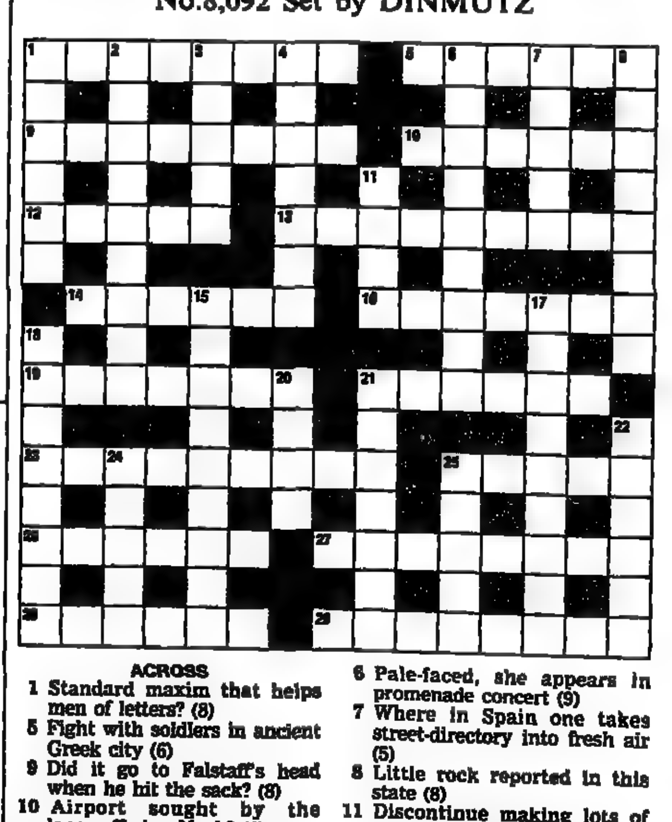
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,092 Set by DINMUTZ



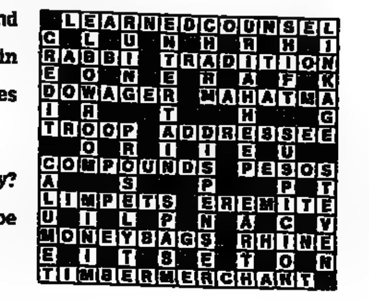
ACROSS

1 Standard maxim that helps men of letters? (8)
5 Fight with soldiers in ancient Greek city (6)
9 Did it go to Falstaff's head when he hit the sack? (8)
10 Airport sought by the long-suffering Noah? (6)
12 Turf of 'ome cricket area (5)
13 Absorb what Archie Rice tried to do (9)
14 Clubs in it, not bats, of course (6)
16 Two girls on one's knee (7)
19 Haulier reverses to junction to pull in (7)
21 Doctor bound to sprinkle with powder (6)
23 Written reminders Roman made, foolishly (9)
25 Passport endorsement admits traveller, initially, to see the view (5)
26 "Sea Inn" renamed "The Cuckoo" (6)
27 A churchwarden may stand out in it (4-4)
28 Computer fanatic hiding in shack, erasing (6)
29 Such a fine finish incites anguish (8)

DOWN

1 Procurer of zoo-favourite, say? (6)
2 But should it have a cube root? (5-4)
3 Disadvantage of contract (5)
4 Oxbridge fellow's office? (7)
6 Pale-faced, she appears in promenade concert (9)
7 Where in Spain one takes street-directory into fresh air (5)
8 Little rock reported in this state (8)
11 Discontinue making lots of money when retired (4)
15 Anatole holding paper that is sent, say? (9)
17 Member is slow to make laws (9)
18 Being so dowdy, hides seat in angle (8)
20 Wine some guys keep down (4)
21 Trading in dead part of London (7)
22 Means of raising a pound for a drudge (6)
24 Orsino's amatory aliment? (5)
25 How the wind changes – ever turning south! (5)

Solution to Puzzle No.8,091



WORLD STOCK MARKETS

INDICES

NEW YORK

DOW JONES	Mar 2	Mar 1	Feb 26	Feb 25	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3400.53	3355.41	3370.81	3365.14	3442.14 (5/2/93)	3136.58 (9/10/92)	3442.14 (5/2/93)	41.22 (2/7/32)
Home Bonds	105.92	105.63	105.37	105.56	105.96 (12/2/93)	98.41 (20/3/92)	105.96 (12/2/93)	54.99 (1/10/81)
Transport	1499.16	1494.95	1516.10	1532.20	1589.61 (8/2/93)	1304.40 (25/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	240.30	238.07	240.17	239.61	240.61 (22/2/93)	200.74 (8/4/92)	240.61 (22/2/93)	10.50 (8/4/32)

DJ Indl. Day's High 3406.21 (3404.58) Low 3334.07 (3326.23) (Theoretical)
Day's High 3400.80 (3383.51) Low 3343.53 (3350.28) (Actual)

STANDARD AND POOR'S

	Mar 2	Mar 1	Feb 26	Feb 25	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.90	442.01	443.38	442.34	448.56 (4/2/93)	394.50 (8/4/92)	448.56 (4/2/93)	4.40 (1/6/32)
Industrials	515.38	507.75	509.24	507.53	518.43 (4/2/93)	470.91 (8/4/92)	518.43 (4/2/93)	3.62 (21/6/32)
Financial	43.40	43.10	43.07	43.01	44.32 (4/2/93)	32.40 (8/4/92)	44.32 (4/2/93)	8.64 (1/10/74)
NYSE Composite	248.54	243.76	244.08	243.38	247.98 (4/2/93)	217.92 (8/4/92)	247.98 (4/2/93)	4.46 (28/4/42)
Amex Mkt. Value	410.07	407.54	406.84	405.43	418.99 (12/2/93)	364.85 (9/10/92)	418.99 (12/2/93)	29.31 (9/12/72)
NASDAQ Composite	677.72	669.51	670.77	667.07	708.85 (4/2/93)	547.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Feb 26	Feb 19	Feb 12	year ago (approx.)
Dow Industrial Div. Yield	3.02	3.07	3.00	2.79
	Feb 24	Feb 17	Feb 10	year ago (approx.)
S & P Industrial div. yield	2.53	2.55	2.47	2.80
S & P Indl. P/E ratio	26.88	26.51	27.36	25.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
RJR Nabisco	12,944,100	9	+ 1/8
Wal-Mart	5,845,200	30 7/8	+ 3/8
Philip Morris	4,242,000	67 3/8	+ 2 5/8
BankAmerica	3,319,200	52 1/2	- 1
Telefonos	3,028,400	51 1/4	+ 1 1/8
Merck	2,335,400	38 7/8	- 1/8
K-Mart	1,882,600	24 3/8	+ 1/4
Chrysler	1,856,100	39 3/4	+ 1/2
IBM	1,785,200	54 1/4	- 1/2
Coca-Cola	1,770,900	43	+ 7/8

TRADING ACTIVITY

† Volume (Millions)	Mar 2	Mar 1	Feb 26
New York SE	289.840	232.090	234.180
Amex	13.399	12.301	14.070
NASDAQ	207.081	185.039	217.325
NYSE			
Issues Traded	2,483	2,489	2,469
Rises	1,275	1,096	1,160
Falls	640	863	746
Unchanged	568	530	563
New Highs	177	107	117
New Lows	10	12	8

CANADA

TORONTO	Mar 2	Mar 1	Feb 26	Feb 25	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2833.00	2859.05	2908.11	2911.28	3239.87 (16/1/92)	2529.91 (17/11/92)
Composite	3446.22	3432.68	3451.59	3450.84	3599.00 (15/1/92)	3105.40 (14/10/92)
MONTREAL Portfolio	1769.70	1761.58	1777.25	1782.82	1937.58 (16/1/92)	1662.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

TOKYO - Most Active Stocks

Wednesday, March 3, 1993

	Stocks Traded	Closing Prices	Change on day
Suzuki Motor	3.8m	830	-3
Showa Shell	3.6m	808	+28
M'shita El Ind	3.5m	1010	-30
Isuzu Motor	3.4m	351	-2
M'bishi Cable	3.4m	585	+5
Nippon Comsys	3.3m	731	+4
Mitsui Mn Sm	3.2m	407	-15
Nippon Steel	2.8m	293	+7
NEC Corp	2.8m	622	+2
Fujikura	2.8m	579	+10

4 pm close March 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15⅞	10¾	AAR Corp	0.48	3.7	24	1010	13⅛	12½	13	+⅜
28½	18	A L Labs A	0.18	0.8	140	1471	22½	21⅝	22½	+⅝
68¾	52⅝	AMP Inc	1.60	2.8	21	1369	57⅞	56¾	57¾	+⅝
80¼	54⅜	AMR			9	5073	59⅝	57⅞	58	-1⅜
2⅜	1⅜	ARX			10	5	1¾	1¾	1¾	
59½	29⅞	ASA	2.00	5.5	23	397	36¼	35¾	36⅛	-⅜
34¼	22⅝	Abbott Lab	0.60	2.3	17	13042	25⅞	25⅜	25⅝	-⅛
13⅞	10¼	Abitibi Pr	0.50	4.8	3	z100	10½	10½	10⅜	
11⅝	10⅛	ACM Gvt In	0.96	8.4		985	11⅝	11¼	11⅜	
10⅜	9	ACM GvOpp	0.80	8.5		120	9½	9⅜	9⅜	-⅛
9¾	8½	ACM Gvt Sp x	0.79	8.4		180	9½	9⅜	9⅜	-⅛
11⅜	9⅞	ACM Gvt Sc x	0.96	8.5		2089	11¼	10⅞	11¼	+¼
10⅝	8⅝	ACM Man	1.08	10.0		398	u10¾	10½	10¾	+¼
12⅞	8⅝	ACM Managd	0.78	8.4		71	9¼	9⅛	9¼	
11¼	4¾	Acme Cleve	0.40	4.8	17	19	8¼	8⅛	8¼	
9¼	3¾	Acme Elect			675	102	6⅞	6⅝	6¾	-⅛
33¼	12⅛	Acuson			12	1260	13½	13	13½	+¼
22¼	18⅛	Adams Expr	0.48	2.3	1	48	21¼	21⅛	21⅛	-⅛
51½	29½	Ad Micro x	3.00	5.9		1308	51	50¾	50⅞	+¼
22½	7½	Ad Micro P	3.00	13.1	8	13269	u22⅞	22⅝	22⅞	+½
9⅛	4⅞	Advest Grp	0.16	2.2	15	661	7½	7	7⅜	+⅜
47	33	Aegon ADR	1.35	2.9	8	468	46⅞	46⅜	46⅜	
53¼	38	Aetna Lf	2.76	5.7	972	1256	49	48⅝	48⅝	+⅛
14½	8⅜	Affil A	0.24	2.0	30	737	12⅛	12	12⅛	
38½	24	Aflac	0.44	1.2	16	1073	u38⅞	38¼	38¾	+⅜
22⅛	13	Ahmanson	0.88	4.2	10	1985	21	20½	21	+¼
22½	4	Aileen Inc			23	88	6⅝	6½	6½	-⅛
49½	36½	Air Pr Chm	0.88	1.9	18	2789	44¼	43⅝	44⅛	+⅜
29¾	12½	Airbne Frt x	0.30	1.3	185	1606	22¼	21½	22¼	+¾
24¼	11¼	Airgas Inc			33	70	24	23½	23⅞	+⅝
12⅜	8⅛	Airlease	1.60	13.8	9	35	11¾	11⅝	11⅝	
104	99	AlaPw8.16 x	8.16	8.0		z100	103¼	102½	102½	-¾
105½	100¼	Alab 8.28C x	8.28	8.0		z100	105	104	104	-1½
11⅛	10¼	AlaPwDpPf	0.87	8.5		z100	10⅜	10⅜	10¼	
23⅞	14¼	Alaska Air	0.20	1.2	2	287	16¾	16½	16¾	+½
21¼	11¼	Albany Int	0.35	2.3	138	37	15	14⅞	15	

- B -

- C -

- D -

- E -

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NYSE COMPOSITE PRICES

Continued from previous page

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
22⅝	14⅞	Ruddick	0.24	1.1	16	54	22	21⅞	21⅞	-⅛
37	18	RussBerrie x	0.70	2.9	5	858	23¾	23⅜	23⅝	+⅜
40⅝	27¾	Russell Cp	0.36	1.1	17	768	34⅜	34	34¼	+⅛
32¼	19⅝	Ryder Syst x	0.60	2.0	20	1495	29⅝	28⅞	29⅝	+¾
28	18	Ryland Grp	0.60	3.0	12	293	20⅜	19¾	20¼	+½

- S -

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
21⅞	16⅞	S Anita Rt x	1.36	6.5	28	188	20⅞	20½	20⅞	+¼
20⅝	13⅛	SCOR US Cp	0.28	1.4	17	9	20½	20½	20½	
28½	19	SPS Techno	1.28	5.2	17	47	24⅝	24½	24⅝	+⅛
15⅛	12⅛	Sabine Rlt	1.25	9.6	10	10	13¼	13⅛	13⅛	
11⅞	7¼	Safecard	0.10	0.9	14	438	11¼	10¾	10¾	-⅛
23½	11⅜	Safeg'd Sc			10	58	21½	21	21⅛	-½
32¼	20	SafetyKln	0.36	1.6	28	1968	23	21⅝	23	+1¼
20¼	9⅝	Safeway			14	5800	11⅞	11½	11⅞	+½
4⅝	2	SafewayWOS				78	2⅝	2½	2⅝	+⅛
41⅞	29⅞	StJoePaper	0.20	0.5	78	84	40¼	39⅝	40¼	+⅜
38	28⅞	StJosLtP	1.76	4.9	16	13	u36	35⅞	36	+⅛
83¼	68½	St Paul's	2.80	3.6	20	1326	78⅛	77¾	77¾	-¼
10	2⅞	Salant Crp			6	93	8⅝	8⅝	8⅝	+⅛
78	45½	Sallie Mae x	1.20	2.3	12	7339	52¾	51	52⅝	+1¼
14⅞	13	Salomon Br	0.61	4.4		198	13¾	13½	13¾	+⅛

- T -

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s
7⅞	3⅞	TCBY Enter	0.20	2.7	38	711
34⅞	17½	TCF Financ	0.50	1.5	8	88
9⅞	8¼	TCW Conv S	0.84	8.4		304
37¾	24⅞	TDK Corp A	0.39	1.5	20	21
8½	2⅞	T I S Mtge	0.20	7.0	1	78
29¾	16⅝	TJX Cos	0.48	1.5	25	13201
21⅝	17¼	TNP Enterp x	1.63	8.5	16	201
60¼	41	TRW Inc	1.88	3.2	19	1328
30⅞	17⅛	T2 Medical	0.05	0.3	11	1069
30⅞	15½	Taiwan Fd				1171
4⅝	2¼	Talleyind	0.42	9.0	0	86
8½	6	Talley Pf	1.00	11.8		2
70½	57⅝	Tambrands x	1.52	2.3	18	1080
16⅝	9⅞	Tandem			34	4203
32¼	22¼	Tandy Corp	0.60	2.3	12	2384
14⅞	11⅞	Taurus Mun	0.84	8.3		40
45⅝	36	Teco Energ	1.82	4.0	17	228
25¼	16⅝	Tekdronix	0.60	2.4	36	273
3⅞	¾	Telecom Cp			25	54
26¾	17⅛	Teledyne	0.80	3.9	24	288
36⅞	25¾	TeleEspSA	1.28	3.9	8	2086
60	40⅞	Telmex ADR	0.48	0.9	23	18272
57½	43⅞	Templeld x	1.00	2.0	18	581

[illegible]

NASDAQ NATIONAL MARKET

4 pm close March 3

[illegible]

AMEX COMPOSITE PRICES

4 pm close March 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Calprop		0	6	1⅝	1⅝	1⅝	+1/16
Can Marc	0.23	8	15	11¼	11	11¼	+½
Cmbrx A	0.01	38	1421	6⅞	5⅞	5⅞	-¼
Chambers		7	68	6⅛	6	6	-⅛
Champion		33	786	14⅞	14⅝	14⅞	+⅛
Chiles		1	215	2 1/16	2	2	-1/16
Goldfield			3	319	⅝	⅝	⅝	-1/16
Greenman		6	103	4½	4¾	4½	+⅛
Gulf Cda	0.34	2	1384	3	2⅞	3	
Hasbro	0.20	15	1912	31⅞	31⅛	31⅞	+⅝
Health Ch		20	22	2⅝	2½	2½	-⅛
NY TimesA	x0.56	205	823	26⅞	26⅝	26⅞	-⅛
NthCanOil	0.17	92	65	10⅛	9¾	10⅛	+⅛
Numac O&G		2	9	5¾	5⅝	5¾	+⅛
NV Ryan		5	280	¾	11/16	11/16	-1/16
Oneita A		81	60	u8¼	8⅛	8⅛	-⅛
Westbrdg		23	443	7⅞	7⅞	7⅞	-⅛
Westamer	0.56	11	82	25½	25	25½	+⅛
WRET x	1.12	22	280	u15⅞	15¾	15⅝	+⅛
Worthen	0.20	11	17	27	26¾	27	+¼
Xytronix		5	69	5¼	5¼	5¾	+¼

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AMERICA

Dow takes lead from firmer Treasuries

Wall Street

AFTER Tuesday's big advance, US share prices posted modest gains yesterday, supported by the latest rally in the bond market, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was up 3.51 at 3,404.04. The more broadly based Standard & Poor's 500 was up 0.98 at 448.888, while the Amex composite was 1.49 higher at 411.56. The Nasdaq composite was the day's best performer, rising 4.47 to 682.19. Trading volume on the NYSE totalled 160m shares by 1 pm, as rises outnumbered declines by 1105 to 655.

The markets spent the morning digesting the gains earned on Tuesday, when a rush of late buying lifted the Dow more than 45 points. Consequently, prices opened slightly lower as some investors took profits and others sat on the sidelines waiting for the markets' next move.

Gradually, stocks recovered from their early losses, aided by another big rise in the US Treasury market, where technical buying and hopes for lower German interest rates pushed the yield on the benchmark 30-year bond to below 6.8 per cent, its lowest level ever. Falling interest rates are regarded as good for equity investors, because they provide companies with cheap capital for restructuring or expansion, and cut the cost of mortgages and other borrowings for consumers.

The latest drop in long-term interest rates boosted financial stocks, especially mortgage providers and banks, which usually see an increase in loan demand when borrowing costs fall. Federal Home Loan Mortgage rose $1⅞ to $49⅞, Federal National Mortgage Association climbed $2¾ to $83¾ and Countrywide Credit put on $⅞ at $34⅞.

Among bank stocks, Wells Fargo rose $1 to $103¼, Chemical firmed $¼ to $42⅞, Chase Manhattan rose $⅛ to $32¼, Banc One put on $⅛ at $53⅜, and Citicorp added $⅛ at $26¼, in spite of a downgrade from NatWest Securities, which believes that the bank's strong performance will begin to wane in the second half of this year and 1994.

General Cinema rose $1¼ to $35¾ after the company announced first quarter net income of 40 cents a share, up from the 34 cents a share reported as operating income a year ago.

Woolworth fell $¾ to $29¼ after the big retailing group reported fourth quarter after-tax profits of $165m.

On the Nasdaq market, prices continued to recover from recent losses. ChemTrak rose another $2¼ to $14¾, with investors continuing to pick up the stock following the announcement that the Food and Drug Administration has approved the sale of the company's non-prescription home cholesterol test.

MEXICO was higher in early trading yesterday on expectations of stable interest rates and renewed foreign demand for stocks. The IPC index moved ahead 16.77 to 1,607.20 in volume of some 18.7m shares, with advancing stocks outnumbering declines by a ratio of 28-to-one.

Canada

TORONTO edged modestly higher by midday, underpinned by continued strength in US and Canadian bond markets and bolstered by hopes of further cuts in domestic short-term credit rates.

The TSE-300 index was 11.78 firmer at 3,458.00 in volume of 30.9m shares valued at C$290m. Advances led declines 310 to 230 with 251 unchanged.

Gainers included Newbridge Networks which advanced C$2¼ to C$61¼ in light turnover of 11,767 shares.

A period of expansion dawns for NZ equities

Terry Hall observes a new mood among investors

Trading on the New Zealand stock market continued its stop-go pattern this week, with investors concentrating on the flow of results from heavyweight stocks.

There is unusual interest in these results, mostly for stocks with December 31 balance dates, because of widespread awareness that the economy is changing as it moves out of recession.

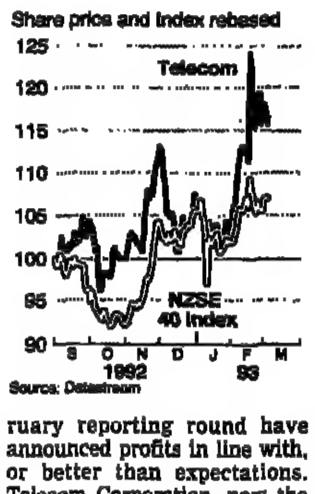
Investors are keen to see which companies are coping best, as New Zealand comes to terms with its strongest expansion since 1984-85. They also want evidence that the companies will cope well with the new environment by ruthlessly cutting costs and debt in pursuit of continued profit improvements.

The past three quarters have seen business confidence at its highest level since 1972-73, matched by a flow of encouraging statistics on everything from GDP growth, to low inflation, and increased investment in manufacturing and farming.

Against this is concern that rising imports may damage the balance of payments and exports may fall because of the international recession. For example wool earnings, although now a relatively minor export, are sharply down.

There is also the prospect of another rise in interest rates if the Reserve Bank repeats its January action and intervenes to support the New Zealand dollar in pursuit of its low inflation target. It is also election year, with the ruling pro-business National Party trailing in the polls.

Most companies in the February reporting round have announced profits in line with, or better than expectations.



Source: Datastream

Telecom Corporation, now the biggest company in the country, accounting for 19.9 per cent of the NZSE-40 index, soared 60 cents from early January, reaching a high of $2.87 ($1.50) on February 16. This followed its announcement of a 9.7 per cent rise in profits in the nine months to December 31. The group also said it was making a further 5,200 staff redundant during the next four years in a determined bid to stay competitive.

Telecom, which eased back subsequently in line with the setback in Wall Street, where it is also listed, has since rallied, closing yesterday at NZ$2.64.

Fletcher Challenge, the forestry and energy group, announced a six month profit in line with expectations, and confirmed that its asset selling programme was on target. It ended yesterday at NZ$2.57, up from NZ$1.52 last October. The NZSE-40 index closed yesterday at 1,588.03.

Attention is now focused on Brierley Investments' result, due to be released today. The shares closed yesterday at NZ$1.09. Brierley has also been re-rated after disclosing wide ranging restructuring plans, including boardroom changes, in November, when it had traded as low as 82 cents.

Brierley is expected to announce half-year earnings of around NZ$105m (up from NZ$90m), including profits of up to NZ$50m on recent sales. The group's New Zealand profits are expected to be up sharply, in line with the improving economy, although a negative contribution is expected from its investment in a UK hotel group.

Analysts have lifted their earnings estimates for most of the leading companies that have so far reported, based on the strong rise in GDP and continued cost cutting. However some second-line stocks have been marked back after reporting profits below expectations.

There is a widespread view among brokers and analysts that the market could continue to mark time until the March 31 tax period. This will allow investors to come to terms with the recent strong upward price movements in the leaders. Leading broker Buttle Wilson described the prices of the leaders this week as "only mildly cheap".

However, a wild card is the influence of Wall Street, Australia and other markets. International investors are taking an increasing interest in New Zealand equities, leading to 24-hour trading with New York and other northern hemisphere markets.

EUROPE

Bourses await word from Bundesbank

OPINION was evenly divided among observers yesterday as to whether the Bundesbank would cut interest rates at today's meeting, *writes Our Markets Staff.*

Among the reasons offered for at least a 0.5 percentage point reduction were progress on securing wage settlements at around 3 per cent, and a cut in minimum reserve requirements announced on Monday. The pro-camp also noted that the next council meeting on March 18 was very near to the French elections and the Bundesbank might not want to lower rates at such a politically sensitive time. Others commented that the need to reach an agreement on the solidarity pact might delay a decision.

As many bourses marked time yesterday observers agreed that whatever happened today German rates were set to decline by up to 2 percentage points over the year, and that this would sustain momentum in the medium term.

FRANKFURT moved in a narrow range during the day, the DAX index shedding 3.01 to 1,693.73 as turnover rose to DM8.1bn from DM6.8bn.

Among financials Commerzbank put on DM1 to DM290, Deutsche DM2 to DM713 and Dresdner DM1.20 to DM408.50.

Chemicals remained under pressure with Basf down DM2.40 to DM231.20 and Hoechst easing DM4.30 to DM256.60.

PARIS retreated from Tuesday's 2,000 level as Chargeurs surprised the market with 1992 earnings below most forecasts and the shares lost FFr115 to FFr1,285.

The CAC-40 index finished 6.26 lower at 1,995.24 in turnover of some FFr3.2bn.

Suez, which reported an estimated 1992 loss of some FFr1.9bn after the close, saw the shares ease in anticipation FFr4.10 to FFr296.40. Eurotunnel was off FFr1.35 at FFr39.90 as talks with TML in London ended without agreement, while Peugeot lost FFr18 to FFr621 on further warnings of depressed European car sales.

AMSTERDAM saw a rise in the CBS Tendency index of 0.6 to 99.9 as Philips advanced 90 cents to Fl 21.10 ahead of today's results which are expected to disappoint, while Polygram, up Fl 1.20 at Fl 47.20, improved after Tuesday's good results. Hagemeyer rose Fl 1.40 to Fl 155.20 on plans for a two-for-one share split. DSM and Heineken, which complete today's batch of results, were respectively 30 cents lower and Fl 1.20 higher at Fl 71.60 and Fl 186.30.

ZURICH succumbed to profit-taking after a firm start but prices picked up towards the close with investors encouraged by lower Swiss money market rates and Wall Street's opening. The SMI index closed 11.3 ahead at 2,142.0 after a day's high of 2,151.98.

The market took its lead from renewed interest in Roche certificates, after their recent consolidation and the shares rose SFr60 to SFr4,010.

Banks were mixed with some swapping noted out of Union Bank of Switzerland and into CS Holding and Swiss Bank. UBS bearers eased SFr1 to SFr944 while SBC bearers rose SFr1 to SFr366 ahead of next week's annual news conference. CS Holding bearers added SFr20 to SFr2,230 ahead of Friday's 1992 earnings figures from Credit Suisse.

Nestlé put on SFr10 to SFr1,140 as the European Commission said that the proposed sale of four French mineral water brands were sufficient to make Nestle's takeover of Perrier compatible with EC competition rules.

MILAN found private domestic investors making the running, in the absence of the institutional and foreign buyers, and attention switched to second-line stocks and some recent laggards among the blue chips. The Comit index dipped 3.54 to 533.14

Among blue chips regarded as recent under-performers, Olivetti rose L170 or 7.4 per cent to L2,450 and Montedison firmed L50 to L1,290 after hours.

STOCKHOLM moved higher encouraged by lower domestic interest rates and the Affärsvärlden general index ended up 4.3 to 1,018.6. Turnover weakened to SKr709 from SKr729.

ISTANBUL shares rebounded 3.1 per cent in active buying after the 7.5 per cent decline of the previous three sessions as investors ignored a severe cash shortage faced by banks due to TL16,800bn of auction payments to the Treasury. The market index rose 176.72 to 5,813.97 after losing 454.33 points since last Wednesday's all-time-high close.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

March 3 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1163.41	1162.47	1161.62	1160.30	1160.66	1161.11	1160.55	1158.99
FT-SE Eurotrack 200	1223.60	1221.84	1222.63	1222.65	1223.62	1222.97	1222.10	1221.03

	Mar 2	Mar 1	Feb 26	Feb 25	Feb 24
FT-SE Eurotrack 100	1156.71	1158.20	1139.80	1125.06	1116.05
FT-SE Eurotrack 200	1211.84	1213.57	1194.07	1178.13	1172.14

Base value 1000 (26/10/90) High/day: 100 - 1163.41; 200 - 1224.58 Low/day: 100 - 1158.92 200 - 1220.91.

ASIA PACIFIC

Hong Kong closes at a new high for 1993

Tokyo

CONCERN about earnings at leading blue chip exporters prompted late selling and the Nikkei average lost ground for the third consecutive day, *writes Emiko Terazono in Tokyo.*

The 225-issue average closed 10.33 easier at 16,853.92 after a high for the day of 16,949.33 set in the morning session and a low of 16,811.98 in the afternoon. The index firmed in the morning on active buying in Nippon Telegraph and Telephone stocks, but later lost ground as the yen strengthened above the Y117 level against the dollar.

Trading volume totalled 240m shares, against Tuesday's 228m. Declines outnumbered advances by 497 to 458, with 183 issues unchanged. The Topix index of all first section stocks slipped 3.24 to 1,272.58, and in London the ISE/Nikkei 50 index ended 0.88 off at 1,017.16.

Interest in NTT and companies linked to telecommunications supported the market in early trading. Comments by Mr Kabun Muto, head of the ruling Liberal Democratic Party's tax system research commission, calling for NTT to buy shares held by the government, together with a rise in city-call rates, boosted sentiment.

NTT finished Y24,000 ahead at Y682,000 on trading of 54,624 shares, the heaviest since April 21, 1987. Nomura Research Institute said a range between Y680,000 to Y770,000 reflected NTT's business and financial fundamentals.

Companies with close ties to NTT also gained ground, with Nippon Comsys firming Y4 to Y731 and Kyowa Exeo advancing Y11 to Y870. Cable companies were strong, with Mitsubishi Cable gaining Y5 at Y585 and Fujikura Y10 at Y579.

The stronger yen helped electric utilities, which would see lower fuel import costs due to a higher currency. The electric power sector advanced 1.36 per cent, with Tokyo Electric Power appreciating Y70 to Y2,680 and Kansai Electric Power Y40 to Y2,420.

However, high-technology exporters slipped on fears of lower earnings. Matsushita Electric Industrial weakened Y30 to Y1,010 and TDK dropped Y190 to Y3,000.

Mazda Motor retreated Y11 to Y412 on its announcement that it had terminated negotiations with Ford Motor, of the US, to start a European vehicle production venture.

In Osaka, the OSE average receded 60.17 to 17,926.65 in volume of 35.3m shares. The higher yen hurt Nintendo, the video game maker, which declined Y170 to Y9,720.

Roundup

SOME Pacific Rim markets managed strong advances but others were more restrained.

HONG KONG moved ahead to set a 1993 high, encouraged by forecasts of strong economic growth by Mr Hamish Macleod, the financial secretary, in his 1993 budget speech, and by the view that Mr Chris Patten, the governor, was showing signs of agreeing to some Chinese conditions for talks on the colony's political future.

The Hang Seng index rose 93.41, or 1.46 per cent, to 6,436.64, helped by strong US institutional demand. Turnover was high at HK$3.7bn. The Hang Seng's all-time closing peak of 6,447 was set on November 12, before the Sino-British row wiped more than 20 per cent from stock values.

Among the most active issues, Citic Pacific was 60 cents higher at HK$16.50, HSBC up HK1.50 at HK$66 and Hutchison Whampoa 10 cents ahead at HK$17.90.

TAIWAN was the centre of very heavy speculative demand that took shares 5.5 per cent higher in a round of bargain hunting after Tuesday's 3.8 per cent fall. The weighted index ended 237.62 stronger at an eight-month high of 4,582.61. Turnover remained heavy, although it was down from Tuesday's T$93.1bn to T$74bn.

MANILA was another firm spot and the composite index advanced 44.72, or 3 per cent, to 1,518.67. Manila Electric "B" shares rose 15 pesos to 295 pesos on expectations of good 1992 earnings and rumours of a stock dividend.

AUSTRALIAN shares retreated steadily during the day as the Labor party's rise in the opinion polls provoked a round of profit-taking.

The All Ordinaries index opened briefly higher, taking its lead from Wall Street's overnight performance, but it soon turned down to finish a net 18.9 lower at 1,626.1 in modest turnover of A$312.2m.

SINGAPORE ended little changed after failing to sustain gains made in the afternoon from selective buying. The Straits Times Industrial index lost 0.76 at 1,652.05.

BANGKOK relinquished the gains made on Tuesday, the SET index shedding 16.49 – half of it in afternoon trade – to 905.99 in sluggish trade.

SOUTH AFRICA

CONCERN that the government is planning tough measures for its budget on March 17 weighed on a Johannesburg market already unsettled by worries about De Beers' year-end results, due next week.

The overall index shed 30 to 3,367 and industrials ended 37 lower at 4,429. Golds gave up an early, small advance to finish unchanged at 947.

De Beers was R2.75 down at R64.25, but off the day's low of R64.10, with analysts sharply divided in their views on the company's performance.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY MARCH 2 1993: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 1 1993: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	137.06	+0.8	140.28	101.97	117.04	128.67	+0.4	3.81	135.93	139.95	101.90	116.36	128.11	153.68	108.18	145.21
Austria (18)	150.69	+1.1	154.24	112.12	128.68	128.30	+0.6	1.75	149.01	153.42	111.71	127.55	127.58	186.70	131.16	178.34
Belgium (42)	141.30	+0.2	144.63	105.12	120.66	117.96	-0.1	5.12	141.01	145.18	105.71	120.71	118.06	152.27	131.19	141.93
Canada (113)	119.90	+0.7	122.72	89.20	102.38	108.35	+0.5	3.09	119.10	122.62	89.28	101.94	107.84	142.12	111.36	134.89
Denmark (33)	201.62	+0.8	206.36	150.01	172.17	172.76	+0.6	1.33	199.93	205.84	149.89	171.14	171.65	273.94	181.70	241.53
Finland (23)	72.31	+1.6	74.01	53.80	61.75	90.37	+1.0	1.52	71.19	73.30	53.37	60.94	89.50	89.80	52.84	82.94
France (98)	159.18	+0.4	162.92	118.42	135.92	139.02	+0.1	3.23	158.49	163.17	118.81	135.65	138.85	168.75	136.93	154.82
Germany (62)	113.63	+0.0	116.30	84.55	97.03	97.03	-0.2	2.36	113.62	116.96	85.19	97.25	97.25	129.69	101.59	120.47
Hong Kong (55)	256.61	-0.9	262.65	190.92	219.14	254.78	-0.9	3.55	258.91	266.56	194.10	221.64	257.06	262.28	176.36	203.37
Ireland (16)	141.97	+2.9	145.31	105.63	121.23	135.16	+2.7	3.93	137.98	142.06	103.44	118.11	131.58	173.71	122.98	161.33
Italy (75)	64.03	+0.2	65.54	47.64	54.68	75.01	+0.4	2.69	63.91	65.80	47.91	54.71	74.73	80.86	47.47	74.35
Japan (472)	108.76	+0.7	111.32	80.91	92.88	80.91	+0.0	1.03	107.97	111.16	80.94	92.44	80.94	140.95	87.27	116.02
Malaysia (69)	275.22	+0.1	281.70	204.76	235.01	278.06	-0.2	2.41	275.05	283.19	206.19	235.44	278.71	282.42	212.49	242.42
Mexico (18)	1472.84	+0.9	1507.51	1095.80	1257.71	4988.81	+0.9	1.20	1459.83	1503.00	1094.42	1249.63	4944.72	1789.77	1185.84	1765.70
Netherland (25)	160.28	+0.0	164.06	119.25	136.87	135.12	-0.3	4.25	160.35	165.09	120.21	137.26	135.50	169.70	147.88	151.01
New Zealand (13)	45.89	+0.2	46.97	34.15	39.19	46.11	-0.1	4.74	45.80	47.15	34.34	39.20	46.16	48.52	37.39	46.32
Norway (22)	139.23	-0.2	142.51	103.59	118.90	131.72	-0.7	2.02	139.50	143.62	104.58	119.41	132.68	192.95	128.05	169.51
Singapore (38)	221.32	-0.3	226.53	164.66	188.99	167.62	-0.4	1.97	221.91	228.47	166.36	189.95	168.27	229.63	179.65	208.40
South Africa (60)	165.21	-0.9	169.10	122.91	141.07	164.12	-0.9	3.07	166.73	171.68	124.99	142.72	165.63	263.60	134.21	218.36
Spain (46)	127.08	+0.0	130.07	94.55	108.51	113.26	-0.3	5.33	127.12	130.87	95.30	108.81	113.63	161.72	107.10	157.77
Sweden (36)	162.76	+0.0	166.59	121.10	138.99	185.95	-0.6	2.08	162.72	167.53	121.99	139.29	187.17	200.28	149.69	180.44
Switzerland (56)	112.33	+0.8	114.97	83.58	95.93	106.03	+0.5	2.04	111.48	114.78	83.58	95.44	105.47	122.37	95.99	99.67
United Kingdom (226)	168.27	+0.6	172.23	125.18	143.68	172.23	+0.0	4.28	167.26	172.21	125.38	143.17	172.21	200.07	161.88	176.06
USA (522)	182.90	+1.3	187.21	136.09	156.19	182.90	+1.3	2.77	180.62	185.96	135.41	154.62	180.62	183.74	160.92	168.62
Europe (778)	140.00	+0.4	143.30	104.16	119.56	132.88	+0.0	3.53	139.43	143.55	104.53	119.36	132.85	156.88	131.31	145.82
Nordic (114)	150.18	+0.3	153.71	111.73	128.24	150.05	-0.2	1.84	149.66	154.08	112.20	128.11	150.34	188.52	141.24	174.37
Pacific Basin (715)	114.65	+0.6	117.35	85.30	97.91	87.64	-0.1	1.37	113.95	117.32	85.43	97.55	87.70	141.97	93.70	119.78
Euro - Pacific (1493)	124.90	+0.5	127.84	92.92	106.65	105.45	+0.0	2.35	124.25	127.93	93.14	106.36	105.49	145.21	113.80	130.46
North America (635)	178.98	+1.2	183.21	133.19	152.88	177.85	+1.2	2.78	176.80	182.03	132.56	151.37	175.69	179.56	158.70	166.48
Europe Ex. UK (552)	122.18	+0.3	125.05	90.92	104.35	110.82	+0.0	3.02	121.83	125.43	91.35	104.31	110.79	132.98	111.33	126.03
Pacific Ex. Japan (243)	172.39	-0.1	176.45	128.28	147.22	157.98	-0.3	3.40	172.52	177.63	129.36	147.70	158.42	175.31	146.06	156.96
World Ex. US (1684)	125.98	+0.5	128.94	93.73	107.58	107.40	+0.0	2.38	125.34	129.05	93.97	107.30	107.42	146.91	115.99	132.63
World Ex. UK (1980)	141.89	+0.9	145.23	105.57	121.18	126.52	+0.6	2.35	140.69	144.85	105.48	120.44	125.79	150.58	127.21	140.51
World Ex. So. Af. (2146)	144.16	+0.8	147.55	107.26	123.11	130.20	+0.5	2.54	142.95	147.18	107.18	122.38	129.51	153.05	130.04	143.32
World Ex. Japan (1734)	164.26	+0.9	168.13	122.22	140.29	159.73	+0.7	3.05	162.86	167.68	122.11	139.43	158.59	165.40	151.93	159.77
The World Index (2206)	144.20	+0.8	147.59	107.29	123.14	130.53	+0.5	2.54	143.01	147.24	107.22	122.43	129.85	153.70	130.66	143.77

Latest prices were unavailable for this edition.